

**ESTIMATES COMMITTEE
1958-59**

SIXTY-FIRST REPORT

(SCOND LOK SABHA)

MINISTRY OF TRANSPORT & COMMUNICATIONS

**Action taken by Government on the Recommendations
contained in the Sixty-Fifth Report of the Estimates
Committee (First Lok Sabha) on the Ministry of
Transport—Shipping Part II.**



LOK SABHA SECRETARIAT

NEW DELHI

April, 1959

Vaisakha, 1881 (Saka)

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CORRIGENDA

Sixty-First Report of the Estimates
Committee (Second Lok Sabha).

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Contents page, item IV, under 'Pages'
read '22-41' for '22-38'.

Contents page, item V, under 'Pages'
read '42-44' for '39-41'.

Contents page, Appendix I, under 'Pages'
read '45-52' for '42-49'.

Contents page, Appendix II, under 'Pages'
read '53' for '50'.

Page 4, Col. 4, 2nd line from bottom,
read 'not' for 'no'.

Page 17, Col. 4, Line 11, read '1958'
for '1959'.

Page 22, Col. 1, insert '1' below
'S. No. of the recommendations.'

Page 35, Col. 4, 10th line from bottom,
read 'Conference' for 'conference'.

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ESTIMATES COMMITTEE 1958-59

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*Elected *w.e.f.* 28-8-1958 *vice* Shri Mahavir Tyagi resigned.

**Elected *w.e.f.* 17-9-1958 *vice* Shri J. Rameshwar Rao resigned.

†Elected *w.e.f.* 23-9-1958 *vice* Shrimati Renuka Ray resigned.

‡Elected *w.e.f.* 23-9-1958 *vice* Shri Nemi Chandra Kasliwal resigned.

§Elected *w.e.f.* 17-12-1958 *vice* Shri Vijsayram Raju resigned.

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee, present this Sixty-First Report of the Estimates Committee of Second Lok Sabha on the Action taken by Government on the recommendations contained in the Sixty-Fifth Report of the Estimates Committee (First Lok Sabha) on the Ministry of Transport—Shipping Part II.

2. The Sixty-Fifth Report of the Estimates Committee (First Lok Sabha) was presented to the Lok Sabha on the 28th March, 1957. The Government furnished their replies to the recommendations in the report between August, 1957 and March, 1959. The Study Group 'B' of the Estimates Committee examined these replies on the 14th April, 1959.

3. The Report has been divided into five Chapters :

I. Report.

II. Recommendations that have been accepted by Government.

III. Replies of Government that have been accepted by the Committee.

IV. Replies of Government that have not been accepted by the Committee.

V. Recommendations in respect of which final replies of Government have not been received.

4. An analysis of the action taken by Government on the recommendations contained in the Sixty-Fifth Report of the Estimates Committee is given in Appendix II. It would be observed therefrom that out of the 41 recommendations made in the Report, 4·9% of the recommendations have been accepted fully by Government, while 17·0% of the recommendations have been accepted partly. Of the rest replies of Government in respect of 22·0% of the recommendations have been accepted by the Committee while those in respect of 31·7% of the recommendations have not been accepted by the Committee. The Government have not furnished replies to 24·4% of the recommendations.

BALVANTRAY G. MEHTA,

Chairman,

Estimates Committee.

NEW DELHI-1,

April, 30, 1959.

Vaisakha 10, 1881 (Saka)

I

REPORT

In para 102 of their 65th Report (First Lok Sabha) on the Ministry of Transport—Shipping, the Committee had suggested that the question of giving operational subsidy to shipping companies to avoid closing down of certain essential services (as had happened in the case of the India/U.K. Passengers Service) might be reconsidered. They had also recommended that Government might, where found necessary, indemnify the companies against losses incurred by them as was being done in the case of the Government Shipping Corporations. The Government in reply stated that it was contrary to Government's policy to grant any direct operational subsidy especially on a long term basis, but there was nothing to prevent Government assisting Shipping Companies in various other ways as they were doing at present. The Committee would invite reference to para 54 of their 38th Report (Second Lok Sabha) wherein they have expressed the view that the indemnity to the Government Shipping Corporations might be limited to the losses incurred on the 'essential routes' to be allotted to them by Government, and suggest that the question of extending this principle to private shipping companies in respect of routes that might be declared by Government as 'essential routes', might also be considered.

2. In paras 27, 42—45, 52, 126, 129, 156, 168 and 181 of the 65th Report (First Lok Sabha) the Committee had suggested certain measures for increasing the tonnage, accelerating the training of technical personnel, allotment of additional funds for Shipping in the Second Five Year Plan and for the utilisation of Indian Ships in the coastal and overseas trade etc. Since the Committee have dealt with these matters again in their 38th Report (Second Lok Sabha) on the Ministry of Transport, Shipping Corporations, the recommendations referred to above are not being pursued in this Report, though included in Chapter IV of this Report.

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Serial No.	Reference to paragraph in Report	Summary of Recommendations	Reply of Government
1	2	3	4
18	95	The Committee further recommend that the feasibility of creating an Indian Shipping Development Fund with sufficient capital reserve should be carefully examined.	The recommendation is under examination in consultation with the Ministry of Finance. [Ministry of Transport and Communications. O. M. No. 9 MA(24)/57 dated 9-10-1957] <i>Further information received at the Stage of factual verification</i>
37	163	The Committee hope that the trade Agreement with Burma and Pakistan, signed recently, will help to improve the quantum of adjacent trade which has declined. The Committee note that Article VIII of the Trade Agreement with Burma dealt with shipping interest of both countries whereas no article to that effect has been incorporated in the Agreement with Pakistan. The Committee suggest that a similar Article may be incorporated in future Trade Agreements with foreign countries, if possible.	The Indian Shipping Development Fund has Since been established [Ministry of Transport & Communications O. M. No. 9MA (24)/57 dated 28-4-1959]. The observations of the Committee are noted and will be implemented as far as possible.
			[The Ministry of Transport and Communications O. M. No. 9 MA(24)/57 dated 6-11-1957]

III

REPLIES OF GOVERNMENT THAT HAVE BEEN ACCEPTED BY THE COMMITTEE.

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2 39 & 40 Some doubts have been expressed about accuracy of figures of tonnage available at the end of the First Plan period as published by the Planning Commission in their Publication "Second Five Year Plan". In this connection, attention may be drawn to the observations of Shri M. A. Master in his article published in the May 1956 issue of "Transport" Bombay. The Committee suggest that the figures of tonnage given by Shri M. A. Master should be examined by the Ministry and the official figures corrected, if found necessary.

The suggested examination has already been done in this Ministry in consultation with the Planning Commission and the position may be explained briefly as follows :—

The First Five Year Plan envisaged that at the end of 1955-56, the coastal tonnage will reach a figure of 317,202 GRT while the overseas tonnage was expected to reach a figure of 283,000 GRT, thus giving an aggregate tonnage of about 600,000 GRT, approximately. These figures were also mentioned in the Second Plan. It will be remembered that the Second Plan was prepared at a time when the actual tonnage figures on 31-3-56 were not available, but the figures mentioned in the Second Plan more or less tally with the figures in this regard given in the Report of the Study Group of the Consultative Committee of Shipowners, of which Shri M.A. Master was a member. In quoting the figures mentioned above, it was throughout assumed that the new ships which

were on order on 31-3-1956 had, for all intents and purposes, been added to the Indian Fleet on that date. It is quite true that some time after the 31st March, 1956 when the actual tonnage figures became available it did transpire that the coastal tonnage on that date consisted of 90 ships of a total tonnage of 240,000 GRT (as against 256,812) GRT mentioned by Shri Master and the overseas fleet consisted of 36 ships of 240,000 GRT.

Thus, taking into account the new tonnage of about 120,000 GRT which was under construction on that date, the aggregate tonnage remained constant at about 600,000. 4

The fact that there was no change in the aggregate figure is of the greatest significance in this context. What is a "Coastal Ship" at one time can and does become an "overseas ship", at another time and if a few coastal ships are for any reason diverted to the overseas trade on a certain date, there would naturally be a shortfall in coastal tonnage. The figures indicated in the Second Plan were based on the expectation that certain ships would be employed in the coastal trade which subsequently did not prove to be the case. It has to be admitted

that the actual distribution of the Indian fleet in the coastal and overseas unit is bound to be somewhat flexible and the tonnage figures in these two groups will perforce vary at different times even if there is no net addition to or deletion from the total fleet. Therefore, the figures given in the Plan volume are correct according to the information available at the time of its publication. The position has been subsequently explained in the "Review of the First Five Year Plan (Page 239) and no further action seems called for."

*[The Ministry of Transport & Communications
O. M. No. 9 MA(24)/57 dated 14-1-1958].*

7 50 The Committee quite appreciate the decision of the Ministry of Transport & Communications in placing "new building" orders in the Continental yards and purchasing a tanker, even to the extent of exhausting the entire amount provided by the Planning Commission in the Second Five Year Plan in the first year of the Plan itself.

51 As the Committee are aware, a provision of Rs. 37 crores only was available under the Second Five Year Plan for making a net addition of 300,000 GRT which was the target set for achievement during the Second Plan period. Even in the first year of Plan (1956-57) commitments were made for practically the whole of this amount. This, however, enabled us to book only 180,000 GRT leaving 120,000 GRT more to be still procured. In fact taking into account the 90,000 GRT of existing tonnage which are expected to be sold or scrapped during the second Plan, the total tonnage still to be acquired is of the order of 2.1 lakh GRT.

*[Ministry of Transport and Communications O.M.
No. 9 MA(24)/57 dated 24-9-1957].*

14 68 The Committee suggest that the feasibility of getting a few ships from the reserve fleet of the U.S.A. against a long term loan may also be investigated. The representative of the Shipowners may also be consulted in the matter because of their specialised knowledge of the industry.

Negotiations with a view to obtaining for India the release of about a dozen "Liberty" ships from the U.S. Mothball Fleet are going on between the Governments of India and U.S.A. for some time. Indian Shipowners have also been consulted whenever necessary. The final outcome of the negotiations is not known at present. It is, however, expected that the U.S. Authorities would soon sponsor necessary legislation authorising the administration to release these ships to India among other countries.

The question whether the Govt. of India would be given the ships on a loan basis, if and when it is decided by the U.S. Government to release them to India, will be taken up with U.S. Authorities at the appropriate time.

[Ministry of Transport & Communications O.M. No. 9 MA(24)/57 dated 19-8-1957].

Further information received at the stage of factual verification :

It may be stated that having regard to the fact that Liberty ships are now available in the open market at considerably lower prices than what the U. S. Government are expected to charge for Mothball Liberties and that there would be no conditions attached to operational limits in the 'open market' ships, the Government of

The Committee observe that the Indian Shipping Companies have preferred to meet 33% of the total cost of new ships from abroad, 88% of the total cost of ships constructed by the Hindustan Shipyard Ltd., Visakhapatnam and 50% of the total cost of second-hand ships from their own resources.

India are no longer actively interested in acquiring the Mothball Liberties, which are in any case very old now.

[Ministry of Transport & Communications O. M. No. 9 MA(24)]57 dated 28-4-1959].

The observations of the Committee are noted. In this connection, the following facts are stated:—

(a) *Extent of loan assistance:* Government has given loan assistance in individual cases ranging from 66-2/3 to 95% of the cost of acquisition.

(b) *Ships for which orders were placed abroad:* The figure of 33,495 gross tons mentioned by the Committee represents the tonnage of the ships which were *delivered* before the end of the First Plan period and not those for which *orders were placed* during the Plan period. The tonnage of the ships for which orders were placed during the Plan period would come to a much higher figure, namely, 116,243 gross tons.

(c) *Ships built at Vizag:* The total tonnage of the ships built at Vizag comes to about 40,000 gross tons as given by the Estimates Committee but the percentage of the contribution made by Shipping Companies for their acquisition should be 78% as against the figure of 88% given by the Committee.

[Ministry of Transport & Communications O.M. No. 9 MA(24)]57 dated 9-10-1957].

19 The Committee would like the Government to examine the suggestion made by Shri C. H. Bhabha in his article "Finance for expansion of Indian Shipping" published in "Transport" annual of October, 1956, given in para 96.

The suggestion made by Shri C. H. Bhabha in his article "Finance for expansion of Indian Shipping" has already been examined in the Ministry of Transport. As the details furnished in the Article were inadequate for a proper examination of the proposal, Government have asked Shri Bhabha to furnish them with a detailed note setting out his concrete proposals in the matter. Shri Bhabha has also been asked to indicate the precise financial implications involved, showing the extent of loss, if any, to Government. The matter will be considered further on receipt of his reply.

[*Ministry of Transport & Communications O.M. No. 9 MA(24)/57, dated 5-9-1957.*

Further reply received.

Attention is invited to the interim reply given in respect of this recommendation. Shri Bhabha was requested to furnish details of his scheme. In response he gave a brief outline of the Scheme. The Department of Transport have carefully considered the matter in consultation with the Ministry of Finance and have come to the conclusion that it is not a feasible proposition.

[*Ministry of Transport & Communications O.M. No. 9 MA (24)/57, dated 30-12-1958.*]

100 The Committee feel that India is geographically situated in a central position in Asia and is destined to play an important role in international affairs especially in the East. Apart from strategic importance, her ships will be the symbols of friendship and cultural ties that exist among the sister nations of Asia. It is, therefore, necessary to maintain the passenger and passenger-cum-cargo services on routes like India-Burma, India-Red Sea Ports and Persian Gulf, India-East Africa etc. even though these services may have to be run at some financial loss in the initial stage.

Passenger-cum-Cargo services are already being operated by Indian shipping companies in the India-Burma, India-Malaya and India-East Africa trades. A cargo service was also being operated in the India-Persian Gulf Trade by one Indian Shipping Company till recently but owing to losses incurred by them, this service has been discontinued. The Company, is however, operating their vessels on the Burma-Persian Gulf trade. It is the intention of Government that services of India-Persian Gulf and India-Red Sea Ports trades, which are considered unremunerative should be operated by the Western Shipping Corporation, when it has acquired adequate number of vessels.

[Ministry of Transport & Communications O.M. No. 9 M.A.(24)/57, dated 14-1-1958].

103-104 The Committee are not in a position to give an opinion on specific items such as the optional application of the accelerated depreciation allowances, exemption from Income Tax and Capital Gains Tax on proceeds from sale of ships if they are utilised for acquiring further tonnage, exemption from income tax of profits ploughed back into the shipping industry, and exemption from customs duty and sales tax on ship's stores end bunkers. The Committee suggest that these representations may be examined sympathetically, keeping in view the assistance that is being given to the shipping industry by other countries.

The representations received from the Indian shipping Cos. for the grant of certain tax concessions have been examined in consultation with the Ministry of Finance (RD) and the position in respect of each item is explained below:—

1. *Optional application of the accelerated depreciation allowances:* Under the provisions of the Income-tax Act, computation of profits and gains of a business is to be made under the mandatory provisions of section 10 of the Income-tax Act. In computing business profits, section 10(2) requires the

following allowances on account of depreciation to be made, provided the prescribed particulars have been duly furnished to the Income-tax Officers in the return to be made by an assessee:

- (a) normal depreciation allowance year after year;
- (b) initial depreciation allowance in respect of certain assets to be allowed once only in the year of erection or installation of the asset, as the case may be; and
- (c) additional depreciation allowance, equal to the yearly normal depreciation allowance, for not more than 5 successive assessments for the financial years next following the account year in which an asset was erected or installed.

The Indian Shipping Companies desired that they should be allowed to exercise option to claim the initial depreciation allowance and the additional depreciation allowances mentioned at (b) and (c) above. In other words the companies wanted to claim normal depreciation allowance only in respect of their vessels employed on the overseas trade. This question however, does not arise now, since the initial and additional depreciations are no longer allowed. It has, however, been decided to

raise the Development Rebate allowable for newly acquired vessels from 25% to 40%. The relevant provisions in the Income-tax Act have accordingly been amended by the Finance Act, 1958.

2. *Exemption from Income-tax and Capital Gains Tax* : The Indian shipping companies wanted that the entire sale proceeds less the written-down value of the ships should be exempted from payment of income-tax and capital gains tax. The Revenue Deptt. have stated that it is not possible to grant this request. The difference between the original cost and the written-down value will be subject to income-tax and any excess realised over the original cost will be subject to capital gains tax. To enable this Ministry to make out a strong case for persuading the Deptt. of Revenue to reconsider the issue, the INSOA have been requested to furnish a comprehensive note which is still awaited. The question will be taken up with the Deptt. of Revenue again on receipt of the same.

3. *Profits ploughed back into the shipping industry should be exempted from income-tax*: The shipping companies have represented that if profits earned by them are utilised for purchase of additional tonnage they should be exempted from payment of income-tax. The Revenue Deptt. have stated that the measures for encouraging the ploughing back of profits into the industry have been considered

from time to time. No measure, other than those obtaining at present, is however, now contemplated.

4. *Exemption from customs duty and sales tax on ship's stores and bunkers:* So far as exemption from customs duty is concerned, the subject was discussed last in the meeting of the Consultative Committee of Shipowners held on 28-11-55 and it was explained that under the existing law where the company was engaged purely in the coastal trade customs duty on the entire stores and bunkers was leviable and where the shipping company was engaged purely in the overseas trade no customs duty was leviable. But in those cases where the vessels were engaged both in overseas and coastal trades, customs duty was leviable only on such portions of stores and bunkers as were consumed in India. The procedure for collecting the refund of customs duty in regard to ship's stores and bunkers is simple.

The duty is to be collected on the entire stores and bunkers at the port at which the vessel lands the coastal cargo and the draw-back is allowed in respect of such stores and bunkers as are not consumed in India when the vessel leaves the port for a foreign destination. It was then pointed out by the shipowners that

great delay was being experienced by the shipowners under the existing procedure for obtaining refund of deposits of customs duties and that the procedure should be modified with a view to hastening the refund of such deposits. The INSOA promised to submit a memorandum in regard to the extent of delay actually experienced by shipowners under the existing procedure and a communication is still awaited from the Association.

As regards exemption from sales tax the matter is primarily one for consideration by the State Governments concerned. But, as the shipowners represented that in the absence of some initiative from the Central Government there was no possibility of all the State Governments concerned agreeing to a uniform policy, it was decided that the question of Central Government making an approach to the State Governments in this matter should be discussed by the Transport Ministry with the Ministry of Finance and that for this purpose the INSOA should submit a detailed note on the subject. The note of the Association is still awaited.

[*Ministry of Transport & Communications O.M.*
No. 9MA(24)/57 dated 8th July, 1958].

23 105 Financial review of Indian Shipping Companies given in Appendix VIII indicates that the financial position of Indian Shipping Companies is not too satisfactory, and that they are striving hard to

Government have ever since independence recognised the need for rapidly expanding Indian shipping and with this end in view have given and are giving assistance to the

keep pace with the development of other Indian industries. There cannot be two opinions that there is a very urgent need of rapidly expanding Indian Shipping, and that this is a field where both private and public sectors can play a useful role without necessarily coming into conflict with each other. Shipping is as yet only an infant industry so far as its future expansion is concerned. All reasonable facilities should, therefore, be given to this industry at the present developmental stage.

industry in several forms, the important of which are given below:

- (1) Loan assistance to the extent of about Rs. 24 crores in the First Plan period, and to the extent of Rs. 12.5 crores in the Second Plan period, has so far been given for the acquisition of ships for the coastal and overseas trade. 13 companies have benefited from this scheme which has enabled them to add to the Indian fleet 37 ships totalling 214,000 G.R.T. in addition 10 ships totalling about 68,000 G.R.T. are under various stages of construction.
- (2) The quantum of loans given vary from 66 $\frac{2}{3}$ % to 95% of the cost of ship. The rate of interest has been charged at 4 to 4 $\frac{1}{2}$ % in the case of coastal ships and as low as 2 $\frac{1}{2}$ per cent in the case of ships for overseas trade. The period of repayment has been fixed at two-thirds of the income-tax life of the ship but in certain cases the period has been extended even to 15 years.
- (3) Government has so far invested a sum of Rs. 8 crores in the two Corporations in the public sector.
- (4) Government have issued instructions to their purchase Organisations abroad to utilise Indian shipping to the maximum extent

possible for the transport of stores purchased or controlled by them.

(5) Government have also used their good offices in securing admission of Indian Shipping companies in International Shipping Conferences.

(6) Government have also arranged for ships built in the Hindustan Shipyard Ltd., Vishakhapatnam to be sold to the Indian Shipping companies on instalment basis at the U.K. parity price. This has involved Government in the payment of the construction differential subsidy to the extent of about 20% in the average of the actual cost of construction of each ship.

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(7) Government have given tax relief to the shipping industry (i) by according a Development Rebate of 25%, (ii) by granting exemption from taxation on profits upto 6 per cent, and (iii) by allowing a special depreciation at double the normal rates for the first five years. These tax concessions apply to new as well as second-hand ships. In addition, the shipping industry has been exempted from the Compulsory Deposit Scheme. It is expected that exemption will also be given to the industry from the incidence of the proposed Wealth-tax.

[Ministry of Transport and Communications O.M.
No. 9MA(24)/57, dated 9-10-1957].

24 107

Revitalisation of the Shipbuilding industry is one of the important aspects of the all round development of the country in various spheres.

The recommendation has been noted. Government are alive to the necessity of augmenting indigenous capacity in this industry and are taking all possible steps to develop the industry to the maximum possible extent consistent with the financial resources of the country and the availability of well-trained technical personnel. Government are already exploring the possibility of establishing a second shipyard in the country, as well as a factory for the manufacture of marine diesel engines and construction of a Dry Dock. However, it will be appreciated that an immediate and sudden increase in capacity is not possible as the building of the necessary technical manpower and also the acquiring of the essential 'know-how' have necessarily to be phased over a fairly long period.

[Ministry of Transport and Communications O.M. No. 9MA(24)/57, dated 19-10-1957].

25 121 and 122

The Committee are glad to note that the standardised designs have been evolved, suited to the requirements of trade in India. The Committee are, however, of the opinion that one more design of a smaller ship of 2500 and 4000 tonnage should be evolved for coastal shipping.

The recommendation has been considered. The question of standardising a 2500 tonner ship was examined in 1956 by a special Committee which was appointed to consider the standardisation of the ships to be built in the Shipyard. It was then felt unnecessary to standardise a ship of 2500 tons as the number of ships

of this size employed on the West Coast was small. The shipping companies who were consulted at that time preferred a 5000 tonner to a 2500 tonner for the coastal trade. It was, therefore, decided by the Committee that the possibility of preparing designs and specifications for a 2500 tonner could be examined if there was an indication of some orders for this type of vessel materialising.

[Ministry of Transport and Communications O.M. No. 9MA(24)/57, dated 8th July, 1959].

28 132 As regards the anticipated shortage of steel, the Committee hope that the position would not be as difficult as it is to-day by the time the Second Shipyard goes into production. The Committee also suggest that a tentative decision to have a third shipbuilding yard in the earlier period of the Third Plan should also be taken at an early date.

It is expected that the difficult steel position would ease after the steel plants at Rourkela and Bhilai go into production and are able to supply plates and angles in sufficient quantities.

As regards the Committee's suggestion to have a third shipbuilding yard in the earlier period of the Third Plan, the second shipyard itself has been planned to go into production in the Third Plan. The question of having a third shipyard will be taken up when the Third Plan is under preparation.

[Ministry of Transport and Communications O.M. No. 9 MA(24)/57, dated 19-10-1957.]

29 135 The Committee hope that the project for establishing a factory for manufacturing propelling

The inter-Ministerial Negotiating Committee set up for the project has drawn up a draft

machinery for ships in the public sector would be finalised without undue delay.

agreement embodying the functions and obligations of the consultants. This has been sent to the following select foreign firms. They have been invited to submit offers before 15th October, 1957.

1. M/s M.A.N. Werke, Augsburg, West Germany
2. M/s Burmeister & Wain, Copenhagen, (Denmark)
3. M/s Werkspoor N.V. Amsterdam (Holland)
4. M/s Fiat S.P.A. Torino (Italy)
5. M/s William Doxford & Sons (Engineers) Ltd. Sunderland (England)
6. M/s Sulzer Brothers Ltd. Winterthur (Switzerland)
7. M/s Kaiser Engineers, 19, St. Broadway, Oakland Cal. (USA)

[Ministry of Commerce and Industry O.M. No. 19—NIDC/57, dated 12-10-1957]

Ministry may be asked to intimate the progress made in the establishment of a factory.

[L.S.S. O.M. No. 31—ECI/58, dated 21-2-1959].

The inter-ministerial negotiating Committee drew up agreement embodying the functions and obligations of the consultants. This was sent to the seven select firms with an invitation

to submit their offers. In reply following firms have sent their offers:

- (1) M/s. M.A.N. Werke, Augsburg, West Germany.
- (2) M/s. Burmeister & Wain, Copenhagen (Denmark)
- (3) M/s. Fiat S.P.A. Torino (Italy) in collaboration with M/s Kaiser Engineers Oakland Cal. (USA)

These schemes are under examination by a small group from out of the Inter-departmental Committee. The recommendations of this Committee are awaited.

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The ultimate decision, however, depends very largely upon the implications particularly in terms of foreign exchange, and on the availability of resources internal as well as external. It is understood from the Planning Commission that they may be able to find funds for the preliminary investigations connected with this project so that it could be implemented in the beginning of the 3rd Five Year Plan or even earlier.

[*Ministry of Commerce & Industry O.M. No. 19-N4DC/57, dated 19-3-1959*].

The Committee feel that the policy of allowing chartering of vessels for coastal trade is not in

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The suggestion made by the Committee is no doubt ideal. The Government of India in

keeping with the policy of 100% reservation of coastal trade for Indian Shipping Companies and as such the Committee hope that in future such relaxation in the use of chartered vessels for normal trade purposes on the coast will be avoided as far as possible.

fact decided in December 1954 that no fresh charters should be allowed on the coast from 1-4-1955. But having regard to the fact that there is now an acute shortage of shipping space on the coast, the actual tonnage being only about 2,38,000 gross tons, it is considered that complete elimination of charters from the coast is not practicable for the present. However, complete control over all charter of foreign tonnage on the coast is maintained by D.G. Shipping and charters are not permitted unless inescapable.



[Ministry of Transport and Communications O.M. No. 9 MA(24)/57, dated 6-11-1957].

34 159 The Committee feel that there is a great scope of developing passenger traffic on coastal and adjacent services provided the existing standard of passengers' amenities is improved and regularity of services ensured. There is also need for adequate publicity on proper lines to Marine passenger services which would create a lure for sea travel in the people.

The observations of the Estimates Committee are noted. In view of the acute foreign exchange scarcity it is difficult to maintain the existing passenger services and to find replacements for old vessels let alone starting new services in the coastal and adjacent trades.

35 160 The Committee recommend that both the Ministry and the Shipping Companies should launch a

[Ministry of Transport and Communications O.M. No. 9MA (24)/57, dated 5-12-1957].

vigorous publicity drive in India and in adjacent countries served by Indian Shipping Services. }

40

The Committee suggest that the Ministry of Transport should examine the question of participation of Indian flag in India/U.S.A. service in consultation with the representatives of the Indian Shipping Companies and devise ways and means which would enable either the private or the public sector to participate in that important trade.

179

The suggestion is being examined and will be pursued if opportunities permit.

*[Ministry of Transport and Communications
O.M.No. 9 MA(24)/57, dated 14-1-1958].*

*Further information at the stage of factual
verification.*

The Scindia Steam Navigation Co. Ltd. have since started a regular liner Service between India and the U.S.A. and the India Steamship Co., Ltd., between India and South America.

*[Ministry of Transport & Communications
O.M. No. 9 MA (24)/57, dated 28-4-1959]*

IV

REPLIES OF GOVERNMENT THAT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

S. No. of Reference the recom- mendations graph in the Report	Recommendations/Conclusions	Reply of Government	Comments of the Committee
1	3	4	5 .

27 It is rather unfortunate that the targets indicated by the Reconstruction Policy Sub-Committee, though accepted in principle, are yet far from realisation.

The observation of the Committee is noted. The Government of India are themselves very unhappy about the position in this respect. It must, however, be pointed out that the Policy Sub-Committee while indicating a tonnage target to be attained during the next 5 to 7 years did not discuss the resources and the ways and means that would be necessary for attaining the target. This aspect of the matter was gone into for the first time when the First 5-Year Plan was drawn up and again when the second Plan was prepared. In the First Plan, as the Commit-

Please see Para 2 of Chapter I.

tee is aware, a tonnage target of 6,00,000 GRT was laid down for the attainment of which a sum of about Rs. 26 crores was provided. This entire money has been utilised and taken into account a few outstanding orders for new construction which are expected to come in very shortly, this target can be said to have been attained. Under the Second Plan, a provision of Rs. 37 crores only has been made and a tonnage target of 9,00,000 GRT laid down. The provision was *ab initio* inadequate and due to subsequent rise in prices the gap has been widened. The entire provision of Rs. 37 crores has already been committed on the purchase and construction of ships and it is expected that when the building orders that have been placed on the Hindustan Shipyard and foreign yards are executed, the addition to the Indian tonnage will be about 1.8 lakh G.R.T. The Estimates Committee is also aware of the efforts that have been made to secure additional funds

to enable the Second Plan target to be attained.

[*The Ministry of Transport and Communications O.M. No. 9 MA(24)/57, dated 19-10-1957.*]

3 According to Shri M. A. Master it is very likely that we may have to carry a further 3 to 3.5 million tons of cargo either as a result of industrialisation of the country or as a result of the recommendations of the Rail-co-ordination Committee. The Committee or for easing the strain on the carrying capacity of the Railways. Thus Indian Shipping may have to carry about 7.5 to 8.5 million tons of cargo round the coasts. The Committee understand that about 5 million tons of dry cargo could be carried by 4,00,000

The Rail Sea Co-ordination Committee have assessed the volume of coastal and adjacent trades at the end of the Second Plan at 50 lakh tons and have stated that a tonnage of 4.12 lakhs G.R.T., which is envisaged at the end of Second Plan, will be adequate to carry the above volume of trade.

No authoritative estimate of our overseas trade at the end of the Second Plan is possible.

In any case, having regard to the funds and foreign ex-

change available, it does not appear feasible at present to revise upward the tonnage target of the Second Plan.

[Ministry of Transport & Communications O.M. No. 9/MA (24)/57, dated 21-3-1958].

G.R.T. but if the quantity or cargo to be carried exceeds beyond the limit of 5 millions tons, as it is likely to, it would create a gap and it will not be possible to carry 100% coastal trade.

The present quantum of foreign trade is about 17.5 to 18 million tons. Out of this quantity, the Committee understand that roughly 2 million tons of cargo could be handled by the Plan target of 4,65,000 G.R.T. which works out to 12.5% of the total overseas trade. In the course of next five years, the volume of traffic may increase and in that case the percentage might fall further.

The Committee were informed that India was carrying about 35% of the adjacent trade at present which might go up to 40% at the end of the Second Five Year Plan, if quantum of trade were to remain stationary.

6 45 In the absence of authoritative estimates about the anticipated increase in cargo, both in coastal and overseas trade, at the end of the Second Five Year Plan, it is difficult for the Committee to express an opinion on the adequacy of the targets laid down in the Plan. From the evidence given by non-official witnesses, however, the Committee are inclined to believe that the objectives set forth in the Second Plan for 100% participation in the coastal trade, 12 to 15% in the overseas trade and 50% in the adjacent trade at the end of the Plan, are not likely to be achieved even if the planned increase in the gross tonnage of Indian Shipping materialises. The Committee suggest that position may be carefully reassessed and this apparent discrepancy in the volume of traffic to be carried and

Please see para 2 of Chapter I.

the shipping tonnage to be achieved at the end of the Second Plan period should be reconciled. If the objective of 100% participation in the coastal trade, 50% in adjacent trade and 12 to 15% in the overseas trade is achieved by the end of the Second Plan, it will undoubtedly be a good performance.

3 52 The Committee recommend that the Ministry should take effective steps to secure the requisite funds from the Planning Commission without which it would not be possible to procure any tonnage even in the third plan and the industry will have to face the same situation which it is facing now due to uncertainty of securing fixed time schedule of delivery and the upward trends in the present market.

Please see para 2 of Chapter I.

An approach was made to the Planning Commission for additional funds to the extent of Rs. 45 crores in order to attain the Second Plan target of 9 lakhs G.R.T. A copy of the Ministry's reference to the Planning Commission in this regard [u.o. No. 33-MS (94)/56, dt. 30-11-56] is given in Appendix I. The matter was discussed subsequently with the representatives of the Planning Commission and the Ministry of Finance and ultimately at a meeting held in December, 1956, the Finance Ministry's representative indicated that

“in view of the fact that the expenditure involved was mainly in foreign exchange, the Finance Minister had suggested that the consideration of the proposal of the Ministry of Transport should be postponed for the present” and that “the proposal could be considered afresh after about a year depending upon the financial position then obtaining in the country”.

2. Since the beginning of 1957, however, both the foreign exchange position and the internal financial position of the country have become more acute with the result that the hope of getting any additional provision for shipping for the Second Plan are virtually remote now.
3. The possibility of Indian Shipping Companies ac-

quiring secondhand and/or new tonnage on long term credit basis which may involve payment of foreign exchange not exceeding 15 to 20% of the price of the vessel prior to its delivery and the balance of 80 to 85% over a period of seven years after delivery is, however, being explored. In fact, one Indian Shipping Company has already acquired a second-hand vessel on the above basis for operation in the overseas tramping trade.

The Transport and Communications Minister has in his recent address to Parliament, in connection with the budget demands of the Ministry indicated his intention to try to set up a non-lapsing Shipping Development Fund by setting apart some 10 to 12 crores of rupees every year for development of shipping. This idea is now being pursued. It is, however, too early to

indicate in what shape this proposal will emerge finally.

5. It will be too early to contemplate the question of the resources for shipping development in the Third Plan and the physical additions of tonnage to be made during that Plan.

[*Ministry of Transport and Communications O.M. No. 9/MA (24)/57 dated 24-9-1957.*]

Keeping in view the Industrial Policy Resolution, 1956, and the pressing need of developing Indian Shipping, the Committee suggest that the question of giving operational subsidy to avoid closing down of certain essential services may be reconsidered.

in terms of para II of Industrial Policy Resolution of 30-4-56, the Government are committed to similar treatment to Shipping in the private sector. In the first place, it may be mentioned that the indemnity against losses given to the shipping Corporations cannot strictly speaking be treated as a subsidy; because the corporations are wholly owned by Government and the indemnity only means placement of additional Government funds at their disposal by way of working capital to meet their losses for a limited period.

In other words, the indemnity, in effect, amounts to Government as the owners of the Corporations, meeting the losses themselves. It cannot, therefore, be construed as discrimination against the private sector if the private shipping companies have to bear similar losses themselves without

any portion thereof being passed or to be borne by Government. Further, as already intimated to the Committee, it is contrary to Government's policy generally, to grant any direct operational subsidy especially on a long term basis. But there is nothing to prevent Government assisting shipping companies in various other ways as they are doing at present which will secure to the companies almost all the benefits which a direct subsidy would offer; e.g., reduction in the rate of interest charged for the loans advanced by Government. In these circumstances, the question of granting a long term operational subsidy to Indian Shipping Companies does not arise at present.

[*Ministry of Transport and Communications O.M.No.9-MA (24)/57 dated 14-1-1958.*]

The Committee would like the Ministry to accelerate the pace of training of both supervisory and skilled personnel so as to facilitate the execution of the Second Shipyard at an early date.

In the matter of training, apart from the training and guidance given by the French experts to Indian personnel from day to day in the Hindustan Shipyard, a batch of 9 Indian technical officers were trained intensively for specific jobs in the shipyards of the French firm for a period of about six months in 1955 and these officers are employed in important positions in the shipyard. As this scheme proved useful, another batch of four officers were sent in January, 1957 for similar intensive training in the shipyards of the French consultants. Proposals are also under consideration to send shortly another batch of 13 officers for similar training to France. In formulating this scheme of training of technical officers, the need to provide a nucleus of technical officers for the Second Shipyard is also being kept in view.

While commenting on the shortage of Technical Staff and stressing the necessity of training more men, it has been recommended in the Committee's Report on Shipping Corporations (38th Report—Second Lok Sabha) that some persons may be deputed by the Shipping Corporations to the Shipyards abroad for being associated in the construction of ship which are being built for the corporations and also for training a larger number of Technicians in Hindustan Shipyard Ltd. and Indian Institute of Technology, Kharagpur. Similarly, the feasibility of having double shift in the Naval Dockyard Apprentice School with a view to increasing trained personnel has been suggested in the 8th Report (Second Lok Sabha)

The Committee further suggest that a continuous review of requirements of technical personnel be made.

In addition to the above the Hindustan Shipyard have since started a training school to train a nucleus of skilled workmen and other technical personnel with a view eventually to making about 500 persons available to the Second Shipyard during the next 4-5 years.

[*Ministry of Transport and Communications O.M. No. 9-MA (24)/57 dated 19-10-1957.*]

27 129 It would be necessary to plan for the realisation of the target of 2 million tons, as suggested by the Shipping Policy Sub-Committee, at least by the end of the Third Plan.

The Shipping target to be laid down in the Third Five Year Plan will depend mainly on the overall size of that plan, the financial resources available and the nature of priority accorded by the Planners to the development of the Indian shipping. Nevertheless, the suggestion made by the Estimates Committee has been noted and will be brought to the notice of the Planning Commission for due consideration at the appropriate time.

[*Ministry of Transport and Communications O.M. No. 9-MA (24)/57 dated 24-9-1957*]

Please see para 2 of Chapter I.

The Committee feel that the problem of evolving a balanced pattern of trade at intermediate and minor Ports on the vast coast line of India requires a well coordinated and integrated plan. The Committee hope that such a plan will be evolved by the Rail-cum-Sea Co-ordination Committee. It is unfortunate that no representative of the Shipping Interests which are vitally concerned in the matter was included in this Committee.

The Rail-Sea Co-ordination Committee has since submitted its report and the recommendations made by the Committee *inter alia* cover to a large extent the suggestions made by the Estimates Committee that a balanced pattern of trade at intermediate and minor Ports on the coast of India should be evolved. The Rail-Sea Co-ordination Committee recommended that the Indian Coastal Conference should evolve rationalised sailing schedules with a view to ensuring regular sailings and calls at as many ports as possible. This matter was also taken up by the Committee with the Conference on the suggestions made by some of the State Governments. But the reaction of the Conference was not favourable. The conference then pleaded that in the absence of a guarantee, say 500 tons at each port for each of the destination ports, it would not be possible for them to arrange regular sailing to cover such ports. As regards the question of including a representative of the shipping interest

The Committee had referred in the Report to the various aspects of the problem of coastal shipping, *viz.*, development of port facilities, provision of rail, road and navigational links with vital transshipments and trade centres of the hinterland, and co-ordination between Railways and Shipping and had pointed out that what was required was a co-ordinated and integrated plan. There is, however, no evidence that the Government have worked out such a plan for the development of Coastal Shipping. The Committee urge that early steps be taken to work out such a plan.

on the Rail-Sea Co-ordination Committee, it was originally intended that the committee should be purely an official committee with Shri N. S. Lakur, President, Railway Rates Tribunal, as Chairman and two other official members one representing the 'Railways' and the other 'Shipping' through the Directorate General of Shipping. Later on however, two Members of Parliament, being non-officials were also associated with the Committee.

[*Ministry of Transport and Communications O.M. No. 9-M.A. (24)/57 dated 3-1-1958**]

156 The Committee further recommend that the Ministry should also enforce gradual reservation of coastal trade in wet cargo for Indian Shipping Companies until foreign participation is completely eliminated as the 100% reservation of coastal trade for Indian Shipping Companies

Please see Para 2 of Chapter I.

The immediate task is, however,

will be achieved only with the entire cargo on the coast in both dry and wet is lifted by Indian Shipping Companies,

to build up a nucleus fleet of three tankers in India as provided in the Second Plan. Already two tankers have been acquired, one in the private and the other in the public sector. A third tanker is now being ordered for construction in a Japanese Yard with the aid of the Yen Credit negotiated with the Government of Japan, for the public sector. The two tankers already acquired carry refined oil round the coast and the third tanker when delivered will also be employed on the coast.

The possibility of acquiring a fourth tanker against the Yen credit or otherwise for coastal operation is under examination.

[*Ministry of Transport and Communications O.M. No. 9/MA (24)/57, dated 17-9-1958*].

38 The Committee suggest that the question of acquiring more tankers in the private and/or public sector should be given serious consideration.

Please see para 2 of Chapter I

Under the Agreements entered into by the Government of India with the Oil Companies for the establishment of oil refineries in India, the Oil

Companies have been permitted to utilize tankers regardless of flag for the importation of crude oil from abroad and for the transportation of refinery products on the coast. The Oil Companies are, however, committed to enter into discussions with Government regarding utilisation of a reasonable number of Indian tankers subject to their then existing charter commitments for the utilisation of foreign flag tankers.

It has been estimated that there is scope for employment of only three tankers on the coast for the present having regard to the commitments already entered into by the Oil Refinery Companies. Thus, provision has been made in the 2nd Five Year Plan for the acquisition of only 3 tankers. Two tankers, one in the public sector and

the other in the private sector, have already been acquired. A third tanker is proposed to be acquired in the public sector with the help of a loan from foreign sources, as soon as circumstances permit.

As regards acquisition of tankers for import of crude oil from abroad, it may be stated that for this purpose big size tankers alone would be economical. In fact, the present trend in international tanker trade is to have tankers bigger in size than 30,000 D.W.T. The price for such tankers will be very high and having regard to the heavy capital outlay with consequent drain on the country's limited foreign exchange resources, it will not be possible to set apart any provision in this regard, at any rate, during the 2nd Plan period. The private sector has also not shown any interest in acquiring additional tankers at present. Further, it will be necessary to negotiate with

the Oil Companies and get them to agree to the employment of Indian tankers for import of crude oil from abroad. It is not, therefore, practical to consider seriously the acquisition of tankers for overseas employment for the present. The possibility of providing for acquisition of such tankes in the Third Plan period will be kept in view for consideration in due course.

[*Ministry of Transport and Communications O.M. No. 9-MA(24)/57, dated 5-9-57*].

41 The Committee believe that Government cargoes form a good percentage of India's total overseas imports and hence steps should be taken to carry them in Indian vessels as far as possible. Further the Committee are in agreement with the recommendations of the Stores Purchase Committee referred to in para 181 of this report.

Please see Para 2 of Chapter I.

As regards the recommendation by the Stores Purchase Committee referred to in para 181 of the 65th Report, it may be stated that the Ministry of Works, Housing and Supply have already accepted the suggestion of the Stores Purchase Committee that Indian ships should be utilised to the maximum extent for transport of imported goods purchased on Government account. That Ministry had also stated that this is being done as far as possible.

[*Ministry of Transport and Communications O.M. No. 9M/A (24)/57, dated 10-3-1958.*]

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**RECOMMENDATIONS IN RESPECT OF WHICH FINAL RE PLIES
OF THE GOVERNMENT HAVE NOT BEEN RECEIVED**

Serial No.	Reference to para No	Summary of conclusions/recommendations
1	2	3
9	55	The Committee could not obtain any statistical data relating to foreign exchange, which the country had to release on her overseas trade, as the information was not available with the Ministry of Transport. The Committee were informed that this information was not available even with the Reserve Bank of India.
10	57	Government had to pay more than Rs. 96 crores as freight to foreign vessels for import of foodgrains on Government account during 1950 to 1955. This heavy drain on country's limited resources of foreign exchange brings out the pressing need of increasing the tonnage of Indian shipping at a more rapid pace.
11	65	India's balance of payments position is worsening every year due to large imports of industrial machinery and capital goods. We have not only to step up our exports, but also devise ways and means of augmenting our foreign earnings. It is in this context again that the committee would recommend that need of assigning a higher priority to the development of the shipping industry as a resourceful potential instrument of earning foreign exchange.
12	66	The Committee understand that negotiations were under way for securing suitable loan assistance from the World Bank. They hope that the Government of India will succeed in securing at least the minimum amount of loan assistance required for the essential development of the shipping industry in India.

1	2	3
13	67	In case the Government of India are unable to secure the necessary amount from, the World Bank, the Committee would suggest negotiations with Exchange Banks in other maritime countries for raising long term loan.
16	93	Rapid expansion of Indian Shipping should be regarded as a national problem of great importance and urgency. In regard to the Rules governing the grant of loans to Shipping Companies, the Committee recommend that the suggestions of the Indian National Steamship Owner's Association should be considered sympathetically by Government and every encouragement given to the Shipping Industry.
17	94	One suggestion made was that instead of insisting on the repayment of loans given to Shipping Companies in the First Plan, they may be permitted to utilise the amount due for repayment for bringing more ships and continue to pay interest as before. The suggestion may be carefully examined.
30	140	The Committee are of the opinion that the smaller ships have an important role to play in our coastal trade. The Committee, therefore, recommend that the Ministry should encourage the available building capacity of smaller vessels in the country. For achieving this purpose, the Ministry should set apart a certain amount of loan assistance which could be utilised by established Indian Shipping Companies or even new companies in the field who are desirous of going in for indigenously built smaller ships. The efforts made by the Railway Equipment Committee in securing and developing the indigenous capacity for wagon building is well known. The Committee suggest that a similar Committee may be appointed for securing and developing indigenous capacity for building small ships of 2500 to 4000 tons. The feasibility of limiting coastal trade exclusively for these small ships should also be carefully examined. If the indigenous capacity for building small ships is properly tapped and firm orders for building small ships over a long period are placed, the committee. have no doubt that the tonnage of Indian Shipping can be substantially augmented.
36	162	The Committee consider it rather unfortunate that vital statistics regarding the quantity of cargo carried by foreign Shipping Companies in adjacent trades from the year 1953 onwards, having a direct bearing on the trade and commerce of the country should not be available with the Ministry of Transport.

1	2	3
39	170/171	The Committee were informed that figures in respect of overseas trade carried on by foreign shipping companies and that of imports on Government account were not readily available. The Committee suggest that Government take steps to maintain such vital statistics.

NEW DELHI;
April 30, 1959/Vaisakha 10, 1881 (saka).

BALVANTRAY G. MEHTA,
Chairman,
Estimates Committee.

APPENDIX I

GOVERNMENT OF INDIA

MINISTRY OF TRANSPORT

(Transport Wing)

SUBJECT:—*Progress of expansion of shipping during the Second Five Year Plan.*

India had a tonnage of 390,000 GRT before the commencement of the First Five Year Plan and the target fixed for the First Five Year Plan was 600,000 GRT. The actual tonnage at the end of that Plan period stood at 480,000 GRT. and ships aggregating about 120,000 GRT were under various stages of construction in Indian and foreign yards. Thus, the target of 600,000 GRT is expected to be reached by the middle of 1957 when all the ships under construction would have been delivered.

2. So far as the target for the Second Five Year Plan is concerned, a Study Group of the Consultative Committee of Indian Ship-owners went into the question in detail and recommended a total gross addition of 535,000 GRT including replacement of obsolete tonnage to the extent of 90,000 GRT. The net addition during the Second Plan period was proposed to be of the order of 445,000 GRT which meant that at the end of the Second Plan period, the total Indian tonnage would exceed one million tons.

3. The additional tonnage recommended for acquisition by the Study Group was a balanced one consisting of 76 cargo ships (including 18 for replacement of obsolete ships) for the coastal, adjacent and overseas trades, 9 passenger ships, 3 tankers and 1 salvage tug. The ships proposed to be acquired would, it was envisaged, be partly new and partly second-hand.

4. The total cost of the fleet proposed to be acquired was estimated at Rs. 80 crores, of which the private sector was expected to contribute to the extent of Rs. 10 crores only and the balance of Rs. 70 crores by Government by way of loans to shipping companies or as capital for complete or part Government ownership.

5. The plan drawn up by the Study Group appeared on the whole to be quite realistic and the Ministry of Transport recommended to the Planning Commission for its acceptance *in toto*. Owing to limitations of finance, however, the Planning Commission were able to make a provision of Rs. 45 crores only for shipping, including a carry-over of about Rs. 8 crores from the First Five Year Plan. At the same time, the Commission had indicated that about 300,000 GRT should be added during the Second Plan after allowing for obsolescence of 90,000 GRT. Thus, it was envisaged by the Commission that by the end of the Second Plan, a total tonnage of 900,000 GRT should be attained and this was indicated as the target for the Second Five Year Plan. It was even then realised that the provision of Rs. 37 crores (excluding Rs. 8 crores required to meet the First Plan commitments) would

not be adequate for the acquisition of a net tonnage of 300,000 GRT and it was agreed that the Planning Commission would review the position from year to year so that such further steps as might be required could be taken to ensure full implementation of the shipping programme which had been accepted as a modest one representing a minimum target. It was also appreciated at the time that the additional amount required would depend, among other things, upon the trends in the world prices of tonnage, the extent to which second-hand tonnage would be available from abroad and form part of the expansion programme and the funds which the private shipping companies could actually make available from their own resources.

6. On the basis of the physical target indicated by the Planning Commission for the Second Five Year Plan, *viz.* 390,000 GRT including an obsolescence of 90,000 GRT 74 ships will have to be purchased for operation in the coastal, adjacent and overseas trades, as indicated below:—

Sl. No.	Trade	No. of Ships	GRT
1	Coastal and Adjacent trade	24	100,000
2	Tankers	3	18,000
3	India/UK/Continent Cargo Service	6	44,000
4	India-Indonesia Service	3	12,000
5	Eastern Shipping Corporation	4	34,000
6	India-Persian Gulf Service	1	5,000
7	India-Red Sea Service	4	19,000
8	India-U.S.A. and tramp services	8	60,000
9	Miscellaneous Passenger Service	2	8,000
10	Salvage tug	1	1,000
11	Obsolescence	18	90,000
	TOTAL	74	391,000

7. On the assumption that the Private Sector might not be in a position to purchase more than 20 to 25 ships, excluding the 18 obsolescent ships to be replaced by them, it was considered that the Public Sector should acquire 25 to 26 ships through the Eastern and Western Shipping Corporations for operating in the trades indicated below and it was envisaged in the Second Plan that out of the provision of Rs. 37 crores, the Public Sector should be apportioned about Rs. 20 crores for the purpose, the balance of about Rs. 17 crores being made available to assist the Private Sector in acquiring their quota of tonnage:—

Trade	No. of ships	Tonnage/ GRT
<i>(i) Eastern Shipping Corporation:</i>		
1. India-Malaya Cargo-cum-Passenger Service	1	7,000
2. India-East Africa Cargo-cum-Passenger Service	1	7,000
3. India-Australia Cargo Service	1	8,000
4. India-Japan Cargo Service	1	8,000
5. India-Indonesia Cargo Service	1	4,000
6. India-Burma Service (Cargo-cum-Passenger)	1	5,000
7. Tankers	2	16,000
TOTAL	8	55,000
<i>(ii) Western Shipping Corporation :</i>		
1. India-Persian Gulf Passenger-cum-Cargo Service	1	5,000
2. India-Persian Gulf Cargo Service	4	10,000 (Two 8,000 DWT and Two 4,500 DWT)
3. India-Red Sea Service (2 passenger-cum-cargo ships suitable for the Haj Traffic and 2 cargo steamers)	4	17,000
4. India-Poland Cargo-cum-Passenger Service	3	24,000
5. India-Russia Cargo Service	6	40,000
TOTAL	18	96,000

8. Since the commencement of the Second Five Year Plan, there have been some significant developments *viz.*, the nationalisation of the Suez Canal by the Egyptian Government and later, the disturbances of peace in the Suez area due to *Anglo-French* invasion of Egypt leading to the complete closure of the Canal. On account of these developments, the prices of second-hand ships have soared sky-high, and the result is that it has not been possible for the Private or the Public Sectors to purchase more than one or two second-hand ships in the market. Prices of new buildings have also gone up considerably. Much difficulty has also been experienced in booking orders with foreign yards for getting deliveries before the end of the Second Plan period. Both the Indian Shipping Companies and the two Corporations have, however, booked all the available capacity (14 or 15 ships) in the Hindusthan Shipyard, Visakhapatnam. They have also placed orders on some of the foreign yards for construction of 9 ships during the plan period in addition to the acquisition of second-hand tonnage to the extent of about 20,000 GRT. So far, commitments have been undertaken both by the Private and the Public

Sectors to the extent of over Rs. 36 crores and the tonnage expected to be added is about 180,000 GRT. A statement is attached showing the details of ships already acquired and the commitments already undertaken by the Private and Public Sectors.

9. It will be seen from the Statement that the entire net provision of Rs. 37 crores for the Second Five Year Plan has been practically fully utilized and that not even half the target of additional tonnage fixed for the Plan has been provided for. In fact the actual additional tonnage required during the Second Plan may even prove less as it is feared that the Hindusthan Shipyard Ltd., Visakhapatnam may not be able to deliver more than six ships against the nine order placed by the two Shipping Corporations. It is, therefore, necessary that if the modest minimum target of 900,000 GRT is to be attained before the end of the Second Plan period, additional funds would have to be provided. Regard being had to the current trend of prices both for second-hand vessels and new constructions, it is estimated that roughly an additional sum of Rs. 40 to 45 crores would be needed for acquiring the balance of about 210,000 GRT, the whole of which sum will have to be provided by Government as the Private Sector is unlikely to be able to find more than the sum of Rs. 10 crores already taken into account in the Second Plan.

10. In addition, it is felt that the three ships which in all probability would be delivered by the Hindusthan Shipyard Ltd., Visakhapatnam, in the third Plan period, should be regarded as Third Plan commitments and the money earmarked for these orders in the Second Plan less the instalments due to be paid in respect of them during the Second Plan period should be allowed to be utilised in purchasing or building ships elsewhere during the Second Plan Period.

11. The question then arises as to whether it will be possible to acquire the balance of 210,000 GRT within the Plan period, if the required funds were forth coming. The Ministry of Transport have examined this point and are of the opinion that despite the difficult position about the availability of tonnage, the target could be fulfilled, provided the additional funds asked for are made available immediately. So far as our information goes, there is some spare capacity yet available in certain foreign Yards which can be booked immediately. In fact it is known that at present there are offers for building about 10 ships pending with various Indian Shipping Companies as indicated below :—

1	2	3	4	5	6
Name of company	Name of Yard	No. of ships	Tonnage GRT	Approx. price (in Rs. lakhs)	Date of delivery
WESTERN SHIPPING CORPORATION	Bartram Yard	2	16,000	210	1961-62
	Yugoslavia	1	7,000	135	1960-61
	Apuania Italian Yard	1	7,000	160	1960
	Polish Yard	2	14,000	400	1956-58

1	2	3	4	5	6
INDIA STEAMSHIP COMPANY } Howalds Werke Yard, Germany .		2	20,000	400	1961-62
SCINDIAS } Lubecker Yard, Germany .		1	7,000	160	1961
GREAT EASTERN SHIPPING CO. } German Yard .		1	8,000	165	1960-61
TOTAL .		10	79,000 GRT	1630	

12. It is also necessary that the Shipping Companies should acquire suitable second-hand ships for the coastal trade as they have not so far acquired any tonnage worth the same period. The tonnage at present on the coast is about 240,000 GRT and it is estimated that India would need about 400,000 GRT to carry the entire coastal trade which is expected to increase by about 2 million tons from the present figure of about 2.6 million tons as a result of the possible diversion of more cargo from the Rail to the Sea route. The Shipping Companies will therefore necessarily have to go in for suitable second-hand ships and there are indications that they would do so even if they have to pay high prices for them, once the Rail-Sea Co-ordination Committee's report is out.

13. As the Planning Commission are aware the Ministry of Transport have already approached the U.S.A. Government through the Indian Ambassador in Washington for the release of a dozen Liberty ships from the Mothball Fleet and that the U.S.A. Government are likely to pass legislation shortly to enable them to release the required number of vessels to India and other friendly countries. It is not known whether in the event of the U.S.A. Government agreeing to the release of the Liberty ships, they will be given to India as a gift or as an aid and if so, on what terms. It is, however, understood that the U.S.A. Government will impose a condition that the vessels when released, should be used only in the coastal trade of India. If it is possible to get a dozen Liberty ships, it will certainly ease the situation to some extent. The Private Shipping Companies have also expressed their willingness to take half a dozen of these Liberty ships. It is estimated that the dozen Liberty ships aggregating a tonnage of about 60,000 GRT, would cost about Rs. 360 to 400 lakhs.

14. It is felt that with the best will in the world, it may not be possible to acquire the entire balance of 210,000 GRT and add the same to the Indian Register during the Second Plan period. The Ministry of Transport is, therefore of the view that so far as shipping is concerned expansion of tonnage

must be a continuous process and that, if necessary, the period of delivery should be extended beyond the Second Plan period. This is particularly necessary in view of the fact that the ship-building Yards abroad cannot promise deliveries before the end of the Second Plan period. It is, therefore, considered that orders should be placed every year during the Second Plan for a specified number of ships both by the Private and the Public Sectors so that there will be gradual addition of tonnage to Indian Shipping. It is requested that the Planning Commission may take this aspect into consideration while examining the case for providing additional funds.

15. In this connection, it is also relevant to point out that on account of the Suez Canal situation, there has been some shortage of shipping space owing to the diversion of ships *via* the Cape of Good Hope. The possible effects on shipping as a result of its development are already under consideration separately by the Economic Committee of Secretaries. The need for immediate acquisition of second-hand ships is all the more urgent in this context.

16. To sum up, it is requested that the Planning Commission may, as early as possible:—

- (a) approve an additional allotment of Rs. 45 crores for the expansion programme of shipping in the Second Plan period so that advantage could be taken of the bargains now in the offing for the Second Plan period and further order placed on foreign yards for delivery as early as possible both before and after the expiry of the Second Plan period.
- (b) allow the Ministry of Transport to utilise the instalments that are due to be paid to the Hindusthan Shipyard in respect of the orders placed by the two Corporations only after the Second Plan period is over, in purchasing/acquiring tonnage from elsewhere during the Second Plan, the claim of the Yard to the amount so utilised being treated as Third Plan liability of the Corporations.

N. M. AYYAR,
Secretary to the Govt. of India.

Planning Commission (Shri K. C. Neogy)

Ministry of Transport u.o. No. 33-MS(94)/56, dated the 30th Nov. 1956.

No. 33-MS(94)/56.

Copy forwarded to (i) the Ministry of Finance (CD) (Shri Nargolwala) (ii) and Director General of Shipping (Dr. Nagindra Singh), Bombay for present information.

S. K. GHOSH,
Deputy Secretary to the Government of India.

*Statement showing Loans Already Sanctioned and Firm Commitments
for Grant of Loans/Investment of Capital Already Made since the 1st April,
1956*

	<i>Rs. (Lakhs)</i>	<i>G.R.T.</i>
I. PRIVATE SECTOR (Loans)		
1. Malabar steamship		
(i) 2 ships in Belgian Yard	55.20	3,000
(ii) 1 second-hand ship "Avondene".	62.00	5,000
(iii) H.S.L. Visakh—"2 ships (Price Rs. 110 lakh)	90.00	5,000
2. Great Eastern		
(i) 1 ship (for Overseas Trade) on H.S.L. Visakh	84.00	5,000
(ii) H.S.L. Visakh 1 ship (Price Rs. 60 lakhs)	51.00	5,000
(iii) 1 second hand-ship	65.00	5,000
(iv) 1 Overseas ship in a German Yard (Price Rs. 164 lakhs)	140.00	7,000
3. Scindia Company		
(i) 1 second-hand ship (Jala Govind)	52.00	5,500
(ii) 2 ships (for overseas trade) in Lubecker Yard, Germany	240.00	13,000
4. India Steamship		
(i) 2 ships (for overseas trade) in Howaldswerke Yard, Germany	323.34	20,000
(ii) H.S.L. Visakh 2 ships (Price Rs. 200 lakhs).	190.00	8,000
(iii) 2 more Overseas ships in a German Yard (Price Rs. 347 lakhs)	330.00	20,000
TOTAL PRIVATE SECTOR	1682.54	1,01,500

II. PUBLIC SECTOR (Investment)

I Western Shipping Corporation

(i) 1 second-hand tanker	85.87	7,500
(ii) H.S.L. Visakh—5 ships (5 × 130)	650.00	25,000
(iii) Yugoslav Yard—1 ship Price Rs. 130 lakhs Escalation Rs. 8 lakhs }	138.00	8,000

	<i>Rs.</i> <i>(Lakhs)</i>	<i>G.R.T.</i>
(iv) German Yard—2 ships	}	
Price Rs. 320 lakhs		
Escalation Rs. 48 lakhs	368·00	1,30,000
(v) Italian Yard—1 ship	}	
Price Rs. 155 lakhs		
Escalation Rs. 15 lakhs	170·00	6,000
3. Eastern Shipping Corporation		
4 ships on H.S.L. Visakh (4 × 130)	520·00	20,000
TOTAL PUBLIC SECTOR	1931·87	79,500
TOTAL PRIVATE SECTOR	1682·54	1,01,500
TOTAL PUBLIC SECTOR	1931·87	79,500
	3614·41	181,000

APPENDIX II

Analysis of the Action taken by Government on the Recommendations contained in the Sixty-fifth Report of Estimates Committee (First Lok Sabha

1. Total number of recommendations	41
2. Recommendations accepted fully by Government (<i>vide</i> recommendations in Chapter II)	
Number	2
Percentage to total	4·9%
3. Recommendation accepted partly or with modifications (<i>vide</i> recommendations Nos. 2, 7, 40, 15, 20, 22, 29)	
Number	7
Percentage	17·0%
4. Recommendations not accepted by Government but replies in respect of which have been accepted by the Committee (<i>vide</i> recommendations Nos. 14, 19, 23, 24, 25, 28, 32, 34, 35)	
Number	9
Percentage to total	22·0%
5. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations in Chapter IV)	
Number	13
Percentage to total	31·7
5. Recommendations in respect of which final replies of the Government have not been received (<i>vide</i> recommendation in Chapter V)	
Number	10
Percentage	24·4%

