

COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

THIRD REPORT

SHIPPING CORPORATION OF INDIA LTD., BOMBAY

(MINISTRY OF TRANSPORT)



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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Third Report of the Committee on Public Undertakings
on
Shipping Corporation of India Ltd., Bombay.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

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Shri A. L. Rai—*Deputy Secretary.*

Shri H. G. Paranjpe—*Under Secretary.*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Third Report on the Shipping Corporation of India Ltd., Bombay.

2. This Report is based on the examination of the working of Shipping Corporation of India Ltd. up to the year ending 31st March, 1964. The Committee took the evidence of the representatives of the Ministry of Transport and the Shipping Corporation of India Ltd. on the 27th and 28th November, 1964.

3. The Report was adopted by the Committee on the 19th February, 1965.

4. The Committee wish to express their thanks to the officers of the Ministry of Transport and the Shipping Corporation of India Ltd., for placing before them the material and information that they wanted in connection with their examination. They also wish to express their thanks to the non-official organisations/individuals who, on request from the Committee, furnished their views on the working of the Shipping Corporation of India Ltd.

PANAMPILLI GOVINDA MENON,

NEW DELHI;

Chairman,

15th March, 1965. *Committee on Public Undertakings.*

Phalguna 24, 1886 (Saka.)

HISTORICAL BACKGROUND

In the post-war years the growth of India's shipping tonnage was slow and private companies were reluctant to invest in shipping industry to the extent required. Government, therefore, considered that State participation was necessary to inspire confidence in private Indian Companies and encourage them to expand. A scheme was accordingly drawn up during 1947-48 to set up three Corporations in the public sector with an authorised capital of Rs. 10 crores each, to be subscribed jointly by the Central Government, an existing shipping company and the public. Accordingly, negotiations were conducted with the Scindia Steam Navigation Company Ltd., Bombay, and the first public sector shipping corporation called the Eastern Shipping Corporation Limited was formed in March, 1950. The proposal to set up the other two corporations did not materialise as the companies who were to be associated with them did not evince much interest.

Setting up Shipping corporations in the public sector.

2. The financial participation as originally envisaged, was to have been in the following proportion:—

Financial participation.

Central Government	51%
Shipping Company	26%
Public	23%

3. In view of the tight monetary conditions then prevailing, Government did not issue shares for public subscription. They subscribed 74% of the shares and the remaining 26% were taken by the Scindia Steam Navigation Co. Ltd. When the Companies Act, 1956 came into force, Scindias ceased to be the Managing Agents of the Eastern Shipping Corporation Limited. Their part of the capital was repatriated by the Government. As from 23rd May, 1957 the Eastern Shipping Corporation Limited thus became a completely State-owned undertaking.

4. The second public sector shipping corporation called the Western Shipping Corporation Limited was set up as a wholly Government-owned concern in 1956.

Setting up of Western Shipping Corporation Ltd.

**Merger of
the two
Public sector
corporations.**

5. The intention of the Government in setting up two separate Corporations was that one should operate regular liner services and the other specialise in tramp services on certain specified routes. This idea, however, did not materialise and the Estimates Committee (1958-59), in their 38th Report (2nd Lok Sabha) recommended for consideration the feasibility of amalgamating the two Corporations. This was accepted by Government and with effect from the 2nd October, 1961 the assets and liabilities of the Western Shipping Corporation Limited stood transferred to and vested in the Eastern Shipping Corporation Ltd. which was renamed "The Shipping Corporation of India Limited".

**Examination
by Estimates
Committee.**

6. The working of the Eastern Shipping Corporation Limited and the Western Shipping Corporation Limited was examined, as referred to above, by the Estimates Committee in 1958-59 and their recommendations/conclusions are contained in their 38th Report (2nd Lok Sabha). The replies furnished by Government indicating the action taken by them on the aforesaid Report were considered by the Estimates Committee (1960-61) and a further Report (135th Report, Second Lok Sabha) was submitted to the House. The recommendations made by the Estimates Committee (1958-59) and the action taken by Government thereon, as are relevant to the present examination of the Corporation have been referred to at appropriate places in this Report.

II

TONNAGE

7. The progress made by the two erstwhile public sector shipping Corporations and the Shipping Corporation since its formation in adding to the shipping tonnage is shown below:—

Progress made in adding to tonnage.

Year	Number of vessels owned	Total G.R.T.	Increase in tonnage during the year
1950-51	2	14,433	—
1951-52	2	14,433	Nil
1952-53	2	14,433	Nil
1953-54	4	27,473	13,040
1954-55	6	42,297	14,827
1955-56	6	42,297	Nil
1956-57	8	54,915	12,618
1957-58	9	60,244	5,329
1958-59	9	60,244	Nil
1959-60	15	1,09,263	49,019
1960-61	17	1,26,180	16,917
1961-62	20	1,45,224	19,044
1962-63	27	2,01,996	56,772
As in Sep. 1964	29	2,36,586	34,590

8. It will be seen from the above table that the addition to the Corporation's tonnage was slow till 1958-59 and it was during 1959-60 and in subsequent years that substantial additions were made.

Shipping tonnage in public sector vis-a-vis country's total tonnage.

9. The table below shows the tonnage holding of the Corporation as compared to the country's total tonnage in 1950-51, 1955-56, 1960-61 and the estimated tonnage holding in 1965-66, 1970-71 and 1975-76:—

Shipping tonnage (in terms of GRT—lakh tons)

Year	Country's tonnage	Corporation's tonnage	% of (3) to (2)
(1)	(2)	(3)	(4)
1950-51 .	3.91	0.14	3.6
1955-56 . (End of 1st Plan)	4.8	0.48	10.0
1960-61 . (End of 2nd Plan)	9.05	1.26	13.9
1965-66 . (End of 3rd Plan)	15.00	3.16	21.06
1970-71 . (End of 4th Plan)	30.00	6.11	20.37
1975-76 . (End of 5th Plan)	40 to 50	Not estimated	

Expansion during Fourth Plan.

10. As indicated above the share of the Corporation in the country's total tonnage was 13.9% at the end of the Second Plan period. At the end of the Third Plan period (1965-66) it is expected to rise to 21.06%. At the end of the Fourth Plan period i.e., in 1970-71 this percentage is expected, however, to come down to 20.37%.

Shipping and Industrial Policy Resolution, 1956.

11. In the Industrial Policy Resolution, 1956, shipping has been classified under schedule 'B' viz., industries which will be progressively State-owned, and in which, therefore, the State will generally take the initiative in establishing new units, but in which private enterprise will also have the opportunity to develop in the field either on its own or with State participation.

12. It was thus expected that there would be progressive increase in the shipping tonnage in the public sector from Plan to Plan. The Committee note in this context that

the share of the public sector in the country's tonnage may go down in the Fourth Plan period if effective steps are not taken to accelerate acquisition of tonnage. During evidence, when the Committee discussed this question, the representative of the Ministry of Transport agreed that the tonnage of the Corporation should expand at a faster pace than hitherto.

13. *The Committee feel that in keeping with Government policy, an upward revision of the expansion programme of the Corporation during the Fourth Plan period would be necessary. This would require that an adequate percentage of the future additions to the country's shipping tonnage is reserved for the Corporation so that its share in the country's tonnage shows a perceptible rise at the end of the Fourth Plan period.*

14. In regard to the development of shipping in the public sector during the Fifth Plan period the Committee have been informed as follows:—

“The thinking of the Planning Commission on the subject is that ultimately 50 per cent of the national fleet must be owned by the public sector. Though Government's policy in this regard has yet to be finalised, there is considerable strength in the contention of the Planning Commission. In any case, it is the definite policy of Government to expand the public sector on a much larger scale than hitherto done.”

15. The Committee were also given to understand that a Planning Group set up by the Planning Commission has recommended that efforts should be made to secure for the public sector 50 per cent of the country's total tonnage holding by 1975-76.

16. If this percentage is to be achieved through the Corporation, its tonnage would have to be increased to 20 to 25 lakh tons by 1975-76. Since the Corporation is expected to have a tonnage of only 6.11 lakh tons by 1970-71, it would mean an addition of about 14 to 19 lakhs tons g.r.t., during the Fifth Plan period. The growth of the Corporation's tonnage during the Third and the Fourth Plan periods is expected to be of the order of 2 lakh tons and 3 lakh tons respectively. At this rate of expansion, it is unlikely that the Corporation would be able to expand

its tonnage by 14 to 19 lakh tons during the Fifth Plan period to secure 50 per cent of the country's tonnage.

17. During evidence, the representative of the Ministry of Transport stated that a target of 50 per cent by 1975-76 may, perhaps, be difficult to achieve, but efforts would certainly be made towards reaching it. He, therefore, felt that the precise percentage should be left to the "field of achievement" as the corporation has to find full employment to its vessels and to plan ahead.

18. *The Committee feel that the rate of expansion of shipping tonnage in the public sector should not be left so uncertain. They are in agreement with the recommendation of the Planning Group that the public sector should account for 50 per cent of the country's tonnage by 1975-76. In the opinion of the representative of the Ministry this may not be capable of achievement. If so, the Committee suggest that it should be determined as to what share of the country's tonnage should be held in the public sector by 1975-76 and steps taken to achieve it by the targeted date.*

19. The Committee note that the Planning Group referred to in para 15 above was headed by the Additional Secretary (now Secretary) of the Ministry of Transport. When asked about the possibility of achieving this target the representative of the Ministry said that the proposal was yet to come up before Government for consideration.

20. *The Committee feel that it would have been well if the Planning Group set up by the Planning Commission had discussed the feasibility aspect with the administrative Ministry and then determined a target for shipping tonnage to be held in the public sector which, though lower than 50 per cent, would have been capable of achievement.*

III ROUTES & SERVICES

A. Development of New Routes

21. The Corporation is at present operating eight regular services (six cargo liner and two passenger-cum-cargo services). The names of the Services and the year in which they were started by the Corporation are given below:—

<i>Name of Service</i>	<i>Year in which started</i>
(i) East Coast of India-Australia	1950-51
(ii) Madras-Singapore	1950-51
(iii) East Coast of India-Japan	1953-54
(iv) Bombay-East Africa	1954-55
(v) India-Black Sea	1959-60
(vi) India-Pakistan-U.K.-Continent	1961-62
(vii) West Coast of India West Pakistan-Far East-Japan	1961-62
(viii) India-U.S.A.	1963-64

22. The Committee understand that more than 90 per cent of India's overseas liner trade is confined to the following routes:—

- (a) India—U.K./Continent.
- (b) India/U.S.A.
- (c) India/U.S.S.R.
- (d) India/Japan.
- (e) India/Australia.

It will thus be seen that the Corporation is covering almost all the important routes touching the country.

23. The Committee, however, find that the contribution of the Corporation in exploring new sea routes which were not till then operated by any Indian Line has not been significant. Of the eight routes shown above, the following are the five routes in respect of which the Corporation was the first Indian company to start the service:—

- (i) East Coast of India-Australia

Routes developed by the Corporation.

- (ii) Madras-Singapore
- (iii) East Coast of India-Japan
- (iv) Bombay-East Africa
- (v) West Coast of India-Japan.

24. Out of the five routes mentioned above, four routes namely, those shown against items (i) to (iv) were allotted to the Corporation by Government with a guarantee to make good the losses, if any. If these four routes are excluded, then it would follow that only one route, viz., West Coast of India-Japan was taken up for operation by the public sector on its own initiative since the Eastern Shipping Corporation Ltd. came into being in 1950.

Scope for
development
of new
routes.

25. Of the routes which touch the ports in India the Corporation has not been operating any service in respect of the following:—

- India-Persian Gulf
- India-South America
- India-Canada
- India-New Zealand
- India-Indonesia
- India-Phillipines
- India-Pacific Coast of U.S.A.

Studies for
exploring
new routes.

26. The Committee were informed that certain studies in regard to services to the Persian Gulf and to the African countries were currently in progress. They also understand that similar studies had been made in the past also. During evidence, the Managing Director, however, admitted that the Research Cell in the Corporation which was responsible for carrying out these studies needed strengthening.

27. The Committee find that the Corporation has so far started service only on one new route in which no Indian Line was operating. They hope that the Research Cell would be strengthened and with the help of the studies made by it, the Corporation will be able to start services on more new routes in future.

28. In addition to the services referred to in para 25 ante, two services, viz., to West Indies and West Africa had been discontinued. When the Committee enquired the reasons,

the representative of the Ministry stated that these services were being run by a private shipping company who found it difficult to get enough cargo. They were hence discontinued. As regards service to West Africa, he added that the question was under examination. The Ministry of Commerce were keen on a service being started but no private shipping company was ready to undertake the same. The Committee trust that a decision regarding the service to West Africa will be taken as early as possible. They recommend that the feasibility of starting one to West Indies may also be examined.

B. Unprofitable Routes

29. At present no service operated by the Corporation is running at a continual loss. All the services have been earning profits from time to time and can be expected to continue to do so. By and large, the India/U.K. service (including Poland), the India/U.S.A. service and the India/Black Sea Service are more profitable than the two passenger-cum-cargo services and the cargo services between India and Australia, and India and Japan.

30. It has, however, been represented to the Committee by certain parties that the Corporation should undertake the operation of unprofitable routes also in the interests of the country.

31. The Committee feel that less remunerative routes should also be operated by Indian Shipping companies with a view to promote the export trade of the country. They however think that the Corporation should not be exclusively asked to operate such routes. It would be desirable if there would be an equitable distribution of the more profitable as also the less profitable routes between the private and public sector shipping concerns.

32. Further, the operation of such less remunerative services should be undertaken only on specific directives from Government and not by the Corporation on its own. Where such activities are undertaken in public interest, the Corporation should give details in its annual reports and accounts and their effect on its overall working.

C. Services established under bilateral agreements

33. Where bilateral agreements at Government level lead to establishment of new services, Government allocate

the trade on the routes to the Shipping Corporation and private shipping companies. The India-Black Sea service and the Indo-Polish Shipping Service are two such services in which the Corporation is at present participating along with other private shipping companies.

34. Asked about the principles governing the allotment of such routes, the representative of the Ministry stated that priority was given to public sector but those private companies which were operating in the vicinity were also allowed to come in. Asked as to why the allotment was not made exclusively to the Shipping Corporation, the representative of the Ministry stated that it would be impossible for the Corporation to carry the entire cargo offerings for these services.

35. *The Committee do not consider the present inability of the Corporation to carry the cargo as an insurmountable difficulty. In fact when the Committee had discussion with the representatives of the Corporation at Bombay, they were assured that the necessary tonnage could be arranged in fifteen days' time but that the question was whether the Corporation should be given the monopoly in respect of trades arising out of bilateral agreements.*

36. *In the opinion of the Committee, there should be no objection to the Government allotting to the Corporation as many lucrative routes as lie within their power. In the past when relatively unremunerative routes like India-Australia and India-Japan were to be operated, the Corporation was asked by Government to undertake their operation. Similarly, when private shipping companies declined to lift coal on the coast, the Corporation was asked by Government to enter the coastal trade. In future also, there may be occasions when the Corporation is required to operate less remunerative or even unprofitable routes in public interest. The Committee, therefore, recommend that new shipping services which are established as a result of bilateral shipping agreements should, as far as possible, be entrusted to the Corporation to compensate it for operating less remunerative routes.*

Entry into
India-U.K.
& India-
U.S.A.
routes.

37. The Corporation started India-U.K./Continent Service in 1961-62 and India-U.S.A. service in May, 1963. It is seen that U.K. and U.S.A. together accounted for nearly 58% of India's foreign trade during 1963-64 (in terms of

value). Asked about the reasons for the delay in entering these routes, the Committee were informed that it was proper and necessary for the Eastern Shipping Corporation to first strengthen its position in the existing services rather than start new ones, and that the question of entering U.K. and U.S.A. routes was under constant review since 1960-61. In the case of U.K. route, two private Indian Lines were already operating and it was only when the pooling arrangements admitted of more Indian tonnage being introduced, the Corporation availed of the opportunity to enter the trade.

38. As regards the India-U.S.A. route, the Committee understand that the decision was taken in 1961 and orders were immediately placed for fast moving vessels. Since their delivery was expected to take some time, the Corporation withdrew four of its vessels from other routes and placed them on this route one by one.

39. *While the Committee commend the initiative shown by the Corporation in withdrawing vessels from other routes and starting the service expeditiously, they cannot help observing that the proposal to start the service and a decision thereon should have been taken much earlier.*

40. In the course of discussion during evidence, the representative of the Ministry referred to another factor also. For a long time when the Eastern Shipping Corporation Ltd. worked in collaboration with M/s. Scindia Steam Navigation Co. Ltd., it had depended upon the latter to provide the know-how but there was no acquisition of extra tonnage during that period.

41. *It will thus be seen that the collaboration arrangement with M/s Scindia Steam Navigation Co. Ltd. proved to be a failure. The Committee hope that Government would bear this instance in mind and take due precautions if in future they contemplate any collaboration arrangement with the private sector.*

D. Agency Services

42. The Corporation is managing two vessels of the India/Anda-
Ministry of Home Affairs, viz., M.V. "Andamans" and M.V. mans service.

"Nicobar" which operate regularly between the mainland and the Andamans and Nicobar Islands.

43. As regards the profitability and operation of this service, the Corporation has furnished the following reply:—

"The Mainland/Andaman service will take a long time before it can even become self-supporting. However, it is essential to run the service to encourage settlement and for development of Andaman, Nicobar group of islands. Hence the Home Ministry is handling the service. So far as the Corporation is concerned, the Government of India entrusted the management and operation of the vessels to look after maintenance, surveys, repairs, fueling, etc. and handling the vessels at ports of Calcutta and Madras. However, the control of operation of the service vests with the Chief Commissioner, Andaman and Nicobar Islands, Port Blair, whose office draws up the programme of sailings and looks after the bookings, loading and unloading of cargo and booking of passengers at Port Blair."

44. The Committee have been further informed that the Corporation receives a net remuneration of Rs. 25,000 per year from the Ministry of Home Affairs for managing these vessels. All the direct operating expenses concerning these vessels as well as indirect operating expenditure including over-heads and management charges are reimbursed to the Corporation by the Ministry of Home Affairs. The remuneration of Rs. 25,000 per year is over and above this reimbursement of expenditure incurred by the Corporation for operating the two vessels.

45. The Estimates Committee had considered this matter earlier and in their 38th Report made the following observations:—

"Judging from the replies given by the representatives of the Ministry, the Committee feel that the Ministry of Transport and Communications accept no responsibility for the working of the service. It appears that the service is being operated under conditions of dual responsibility

without the responsibilities of the two parties having been adequately defined. It is in their opinion not conducive to efficient management. The Committee believe that it would be better if the ownership of the ships belonging to the Ministry of Home Affairs and the allotment of the India-Andamans route were transferred to one of the Corporations. . . . The Committee, therefore, 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."

46. To the above recommendation, Government gave the following reply which was accepted by the Estimates Committee:

"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 Ministry and the Eastern Shipping Corporation have agreed on the terms and conditions under which the Corporation should manage these vessels. In order, however, to have a better co-ordination 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."

47. This Committee enquired whether there have been any complaints regarding the services provided by the Corporation and what remedial action had been taken on those complaints. The reply furnished by the Corporation is reproduced below:—

- (i) "Passengers sometimes come to Calcutta on advice from their employers regarding their passage booking. However, when they call on us, their names may not be in the passenger list and so they are put to lot of difficulties.

We have reported this matter to Port Blair Authorities for remedial action to be taken by them.

- (ii) "Sometimes such passengers' names are put in the waiting list and without knowing the implications they come for ticket. However, since we can issue them tickets only on the last day against cancellations, they have to wait for tickets which leads to complaints.

We always try to accommodate such persons on priority and the matter is reported to Port Blair Authorities from time to time.

- (iii) "Changes in schedules sometimes result in passengers' prolonged stay in Calcutta. This leads to complaints. We always advertise the dates in newspapers (Bengali, English and Hindi). However, since most of the passengers are illiterate they may not get the information in time. Since we do not have the addresses of the passengers booked at Port Blair, nothing more can be done in the matter.

- (iv) "Sometimes members of the same family are booked in different classes, i.e., very often father and mother in cabin and children in bunk class. This has led to several complaints. Since the booking is done at Port Blair, we are unable to do anything in the matter."

48. *The Committee consider that there is a case for re-examining the existing arrangements regarding the control and operation of these vessels. At present only the operation of the vessels is looked after by the Corporation and the entire expenses incurred by it on this account are reimbursed by the Ministry of Home Affairs. Such an arrangement would leave little incentive to the Corporation to ensure whether the service is being run as efficiently and economically as it should. The Ministry of Home Affairs would also be concerned primarily with the control of operations and without sound knowledge of shipping industry and the economics of shipping service, they are not likely to be able to effectively supervise the operation of the service from the economic angle.*

49. Presently the India-Andamans route is not remunerative. The Committee, however, feel that if the control of operation of this service, now vested in the Chief Commissioner, Andaman and Nicobar Islands, is transferred to the Corporation and it is asked to operate the service on its own account, it would be possible to show better working results without in any way affecting the administrative requirements of the Ministry of Home Affairs. If any loss is incurred on the operation of the service it should be separately mentioned in the annual reports and accounts of the Corporation.

Earlier a reference has been made to the complaints that are received from passengers on this route about the programme of sailings and booking of passengers by the Port Blair authorities. Since the Corporation possesses experience in the control and operation of passenger services on other routes, the Committee are sure that the arrangement suggested above would result in minimising complaints now received on the India-Andamans route. They recommend that the matter may be examined afresh in the light of the above comments and a decision taken early.

50. The Corporation is managing a vessel chartered by the Maharashtra State Co-operative Marketing Society Ltd. for the transportation of fruits between India and the Persian Gulf Ports. The Corporation is managing it on a remuneration lesser than the normal commercial remuneration with a view to assisting the growth of the co-operative sector in shipping.

Service on behalf of Maharashtra Coop. Mark. Society Ltd.

51. Asked as to the reasons for the Corporation operating this vessel, the representative of the Ministry stated that it was a question of exporting fruits to an area where the country had not previously been able to export them. He felt that the venture proved unprofitable because the ship acquired was not of the right type. The Corporation undertook this activity with the approval of the Board of Directors, but there was no directive as such from Government.

52. The Committee consider that the Corporation is expected to function on commercial basis and it was not

proper for it to have undertaken any activity at non-commercial rates on its own. If such a course was considered expedient in the interests of the country, the Corporation should have obtained a directive from Government. The Committee feel that this principle should be applied to all the public undertakings which operate on commercial basis. Firstly, they should not undertake any activities of a non-commercial nature unless there is a specific directive from Government. Secondly, whenever any such activity is undertaken as a result of a directive from Government, mention should be made about it in the annual report and accounts of the undertaking and also its effect on the overall working of the undertaking during the year so that a true picture of its working is available. The Committee recommend that suitable instructions may be issued by Government in this regard to all the undertakings.

IV

TRAMP TRADE

A. General

53. Tramp cargo falls broadly into two categories, i.e. bulk and non-bulk. The share of the Indian Lines in carrying the country's tramp cargo is only 3 to 4 per cent. The Corporation has not so far entered the tramp trade.

54. The Committee note that the intention of Government in setting up two Corporations in public sector was that one should operate regular liner services and the other should specialise in tramp trade on certain specified routes. Upto 1958-59, the Western Shipping Corporation Limited had acquired 2 tankers and 2 cargo vessels and it had chartered out all these vessels. In 1959-60, it started operating two cargo liner services, viz., India/Black Sea and Indo-Polish Services, and during that year it had a fleet of four cargo vessels and two tankers of which three (two tankers and 1 cargo vessel) were chartered out by it and the other three were operated by it. Thus, since its inception in 1956-57, the Western Shipping Corporation Limited did not operate any tramp service.

55. As to the reasons for tramp trade not being undertaken after the merger of the two public sector Corporations, the Committee were informed that the Shipping Corporation was essentially a liner Company. It was stated that since the development and growth of any shipping company was complicated, it was desirable and prudent in the initial stages not to begin to cater to diverse types of shipping services, but to consolidate whatever services a shipping company started with. It was, however, added that since the Corporation had now established its position in the cargo liner trade to a substantial extent, it would draw up plans to enter new trades including tramp trade.

Reasons for the Corporation not entering tramp trade.

56. When the Committee discussed during evidence the reasons for the Corporation not entering the tramp trade so far, the representative of the Ministry stated that the

trade was not as lucrative as the liner trade and difficult as well as hazardous in operation. Asked about the profitability of the bulk cargo trade, which was mostly on tramp basis, the Managing Director of the Corporation stated during evidence that the profit was likely to be between 7 and 8 per cent.

57. *The Committee are surprised to note that during the four years of its existence, the Western Shipping Corporation Limited did not take action to implement the main objective with which it was formed, viz., specialising in tramp trade. This is despite the fact that the need for acquiring tramp tonnage was fully appreciated and reference was made to it by the Chairman of that Corporation in his address at the Third and Fourth Annual General Meetings (1958-59 and 1959-60). Extracts from the speeches are given below:—*

“But I feel that greater opportunities of expansion lie in the field of tramp shipping and also in tanker trade. So far as tramp shipping is concerned, India has made only a beginning and although a large portion of our foreign trade consists of commodities which move by tramp ships, our tramp fleet is extremely inadequate. In the circumstances efforts will have to be made to acquire ships suitable for the transportation of bulk commodities.”

(Speech delivered at the Third Annual General Meeting).

“Though we were not successful in acquiring suitable second hand tonnage during the year with a view to participate in the tramping business, efforts will be made at the opportune moment to make a beginning in this respect.”

(Speech delivered at the Fourth Annual General Meeting).

58. *The Shipping Corporation which was formed by the merger of the two Corporations, also did not undertake the tramp trade. The Committee feel that there is not sufficient justification for this. Since the need for entering the tramp trade was admitted as early as 1958-59, the starting of it should have been considered as one of the Corporation's foremost tasks. Even now the acquisition of bulk carriers to be operated on tramp basis is stated to be in the*

negotiation stage only. Thus valuable time has been lost by the Corporation in entering this trade. The Committee urge that early action should be taken to acquire the bulk carriers and to undertake carriage of bulk cargo.

B. Bulk cargo

59. The present total bulk cargo of the country consisting of foodgrains and iron ore, is estimated at 14 million tons per annum. The total carrying capacity of the 5 bulk carriers which are proposed to be acquired by the Corporation is 8,70,000 tons per annum, which would mean that the Corporation would account for the movement of only a small fraction of the bulk cargo. The Sub-Committee appointed by the Board of Trade to study the problem of transportation of bulk cargo by Indian vessels have estimated the requirement of bulk carriers. According to that Sub-Committee, if the total quantum of iron ore exported from India is likely to be 25 million tons by 1970-71, moving to Europe and Japan in equal proportion and if Indian Shipping were to carry 50 per cent of this cargo in each of the two sectors, the total requirement would then be 49 vessels in the Europe/U.S.A. sector and 33 vessels in the Japanese sector adding upto 82 vessels. *There is thus great scope for acquisition of a number of bulk carriers and the Corporation should draw up a phased programme for the acquisition of adequate number of bulk carriers so that it carries a reasonable portion of Indian Lines share of the country's bulk cargo.*

60. India's bulk cargo (other than oil cargo) mainly consists of exports of iron ore and manganese ore and imports of foodgrains and fertilisers. Iron ore moves from India to the Far East or to Europe. As stated earlier, the Committee discussed during evidence the reasons for the Corporation not undertaking tramp trade which includes carriage of bulk cargo. One reason, namely, utilisation of the resources for strengthening the existing cargo liner services has been referred to earlier. Another reason which the Committee could gather was that the trade was relatively less remunerative and availability of return cargo was not certain. At the same time, they find that a private shipping Company entered the trade in 1961 and has already acquired substantial tonnage.

61. As regards Government's policy, it is also stated to be in favour of encouraging Indian shipping companies to undertake carriage of bulk cargo. If this was so, the Corporation as a leading Indian Shipping Company, should have taken initiative in entering the trade much earlier. On the basis of the evidence tendered before them, the Committee feel that greater consideration was given to the fact that the trade was less remunerative rather than to the need for developing the bulk trade in the interest of Indian shipping. The Committee hope that in its future development programme, the Corporation will strike a happy mean between the profitability and development aspects.

62. In this connection they also note that the problems relating to carriage of bulk cargo in Indian Ships have been examined in detail by the Sub-Committee of the Board of Trade referred to earlier. After considering the various aspects, that Sub-Committee recommended that initially the following two voyage patterns may be adopted:

- (a) full load of iron ore from India to Europe and ballast to U.S.A. East Coast—full load of grain from USA to India.
- (b) full load of iron ore from India to Japan and return in ballast.

The Committee trust that while undertaking bulk cargo operations, the findings of the above Sub-Committee will be given careful consideration.

C. Non-bulk tramp cargo

63. At present the Corporation is not undertaking the non-bulk tramp trade. The Committee have been informed that the Corporation is expected to participate in this trade "in accordance with the national policy as it may be formulated in this regard." When the Committee discussed this matter during evidence the representative of the Ministry stated that the Corporation could not undertake this trade because it was a member of Conferences and under the Conference regulations the same company could not be a member of the conferences and also do non-bulk tramp trade. He added that this would be possible if the Corporation formed a subsidiary to undertake that trade.

64. *It is necessary to develop tramping in overseas trade routes for the carriage of tramp cargoes of the non-bulk type. The public sector should also have a fair share in carrying such cargoes. To enable the Corporation to formulate plans for undertaking the carriage of non-bulk tramp trade, the Committee suggest that Government should formulate their policy early.*

65. As regards the question of the Corporation forming a subsidiary for undertaking the non-bulk tramp trade, the Committee find that another shipping company in the public sector, viz. Mogul Line Ltd. was formed as a subsidiary of the Western Shipping Corporation Limited in 1959-60 when 80 per cent of its shares were acquired by the latter. However, on 30th March, 1962 the shares of this company held by the Shipping Corporation of India Ltd. were transferred to the President of India and then it was made a separate company in the public sector. The main business of the company is the carriage of Haj pilgrims and running passenger-cum-cargo service on the Bombay/Red sea trade in the off-pilgrim season. At present it owns four passenger-cum-cargo vessels. During evidence it was stated that Government were considering whether it could be asked to enter the tramp trade.

66. *The Committee consider that in the initial stages it would not be economical to set up an independent organisation for undertaking the operation of non-bulk tramp trade alone. They feel that it would be of advantage to convert an existing concern into a subsidiary. Mogul Line Ltd., being a running concern, could be suitably converted into a subsidiary of the Corporation. Moreover, its present size and operation are on a modest scale and admit of expansion. Another advantage in converting it into a subsidiary is that it will have the benefit of the experience and supervision of the Shipping Corporation.*

TANKER TRADE

A. Overseas tanker trade

67. The establishment of oil refineries in India has given rise to a significant increase in the oil cargo to be transported. The table given below shows the oil cargo carried at present and likely to be carried at the end of the Third and Fourth Plan periods:—

	(in million tons)
	<i>Tanker cargo</i>
	<i>Overseas</i>
Existing cargo	8
End of Third Plan period	12·25
End of Fourth Plan period	23

68. The Corporation entered the overseas tanker trade in 1964-65. It has at present one tanker on the overseas trade. It has also placed an order for one more tanker which is to be employed on overseas trade. This tanker is expected to be received by the end of the Third Plan period. The carrying capacity of these two tankers is expected to be 12·2 lakhs tons, constituting 10 per cent. of the country's total overseas oil cargo.

Need for utilising Indian tankers.

69. The Committee discussed during evidence the reasons for the delay in the Corporation entering the overseas tanker trade and the slow progress made in acquiring tankers. It was stated that the limiting factor was that oil was purchased on c.i.f. basis which did not leave room for the buyer engaging tankers of his choice. The representative of the Ministry stated that the only way to ensure a greater usage of Indian tankers was to compel the purchase of oil on f.o.b. basis.

70. Some other difficulties were also explained by the representative of the Ministry in this regard. One was the reluctance of oil companies to engage the tankers of shipping companies, because the former had their own.

tanker fleet. Secondly, the foreign companies preferred private shipping companies to the public sector corporation.

71. It was also stated that the charter rates offered by Indian companies were at times high as compared to those offered by foreign companies. This was due to the fact that most of the foreign tankers were old and depreciation on them was low. Thus they could quote lower rates. The Ministry of Petroleum and Chemicals were not agreeable to accept Indian tankers on the ground that in that case the price of petrol would go up.

72. *The Committee feel that the problem of transporting overseas oil cargo needs to be dealt with in a manner which would be beneficial to Indian shipping companies. As a first step the Ministry of Petroleum and Chemicals should, in consultation with the Ministry of Transport, devise ways and means to ensure that contracts entered into by oil companies are on such terms as would enable the utilisation of Indian tankers to the maximum possible extent.*

Since the oil companies operate their business in the country with the permission of Government the Committee feel that it should be possible for Government to make them agree to employ Indian tankers to the extent of 50 per cent of the oil cargo.

73. The Committee also understand that originally Government's intention was to reserve overseas tanker trade for the Shipping Corporation and since oil Companies agreed to employ Indian tankers, only if they belonged to private sector, Government revised their policy and allowed private shipping companies to obtain charter terms from the oil companies.

74. *The Committee have no information as to why the oil companies took the position that they preferred employment of Indian tankers, if they belonged to the private sector. They feel that Government should not have submitted to what amounted to dictation from the oil companies on this matter and revised their policy and allowed private shipping companies to obtain charter terms from the oil companies. The Committee desire that in such matters Government should adopt a firm stand with the oil*

companies so that they abide by the decisions taken in the interests of the country.

B. Coastal tanker trade

75. The country's tanker fleet employed on the coast consists of three tankers, two owned by the Corporation and one by a private shipping company.

76. The table given below shows the coastal tanker cargo of the country, the portion thereof carried by (a) Indian Lines (excluding Shipping Corporation) and (b) Shipping Corporation during the last three years:—

(Million tonnes)

Year	Total Traffic	Cargo carried by Indian Lines (excluding Shipping Corporation)	% of (3) to (2)	Cargo carried by Shipping Corporation	% of (5) to (2)
1	2	3	4	5	6
1961	2.09	0.14	6.7	0.43	20.6
1962	2.33	0.15	6.5	0.33	16.2
1963	2.96	0.15	5.0	0.35	11.8

77. It will be seen from the above table that Indian tankers accounted for only 16.8 per cent of the total coastal tanker cargo of the country in 1963 and that there has been a decline from 27.3 per cent. in 1961 to 16.8 per cent. in 1963. Since 100 per cent coastal trade had been reserved for Indian Lines, the Committee enquired the reasons for the percentage being so low. The representative of the Ministry observed that the oil companies were not willing to accept Indian tankers.

Future prospects.

78. As regards future prospects, the Committee have been informed that in view of the proposed establishment of more refineries in various parts of the country, the future pattern of movement of oil products on the coast had become uncertain.

79. Since coastal trade has been reserved for Indian shipping, the Committee cannot accept the unwillingness of the oil companies as a valid reason for allowing substantial portions of the coastal tanker cargo to be carried by tankers of the foreign flag. It should have been possible for the Government to take a firm line and to have seen to it that the oil companies cease to take an attitude which is against the declared policy of Government and the country's interests. The Committee suggest that an estimate should be made of the possible reduction in the movement of oil products as a result of the establishment of more oil refineries. Depending upon the availability of oil cargo, action should also be taken by the Corporation to acquire the requisite number of tankers. Every endeavour should be made to ensure that the objective of the shipping policy, i.e. to carry 100 per cent of the coastal trade by Indian ships, is achieved in the shortest possible time.

VI

COASTAL TRADE

80. The main commodity which is moved on the coast is coal and the other two are timber and salt. Till recently the Corporation had been mainly operating its vessels on the overseas trade. The Estimates Committee (1958-59) recommended that the Eastern Shipping Corporation Ltd. should be permitted to enter the Coastal trade to which Government replied (in August, 1960) that there was no scope for the same as the volume of coastal trade had shown a decline and even the existing coastal shipping companies were finding it difficult to provide adequate employment for their ships.

Entry of the Corporation.

81. In 1961-62, however, Government asked the Corporation to enter the coastal trade for the movement of coal because the coastal shipping companies refused to lift the coal if higher freight was not paid. In that year the Corporation purchased three second-hand coastal cargo vessels and entered the coastal trade. Even though the Corporation entered the coastal trade in 1962, its operations on the coast were *ad hoc* and sometimes the coastal vessels were diverted to overseas routes in order to meet the commitments on the overseas trades. It has, however, now been decided that the Corporation should enter the coastal trade on a regular basis. For this purpose, the Corporation has ordered to be built three comparatively shallow draft vessels which are expected to be delivered during 1966. Of the three vessels acquired earlier, one was disposed of in 1964-65 and the other two are to be replaced by two of the three vessels which have been ordered. The three vessels are expected to move about 1.50 lakh tons of coal from Calcutta and a somewhat lesser quantity of salt etc. to Calcutta. The Corporation is likely to account for 8.6 per cent of the country's coastal dry cargo by the end of the Third Plan period.

Profitability of Coastal trade.

82. The Corporation expects that the coastal vessels would be operated profitably depending on the availability of the return voyage cargo (salt, timber etc.) to Calcutta

if there are not undue delays due to port congestion and Hoogly drafts. It was learnt during evidence that the coastal trade undertaken by the Corporation on the refusal of the coastal shipping companies to lift coal did not turn out to be an unprofitable venture as was apprehended. In this connection the Committee have been informed that the Railways on whose account the important item of sea-borne traffic, viz., coal moves, have not yet committed themselves to a firm and long term policy regarding the movement of coal by coastal shipping and, therefore, it was difficult to indicate at present the volume of coastal trade for future years.

83. *Apart from the three vessels which are proposed to be acquired soon, the Corporation has at present no programme of purchasing more vessels. Since the Corporation's share in the country's coastal trade by the end of the Third Plan period is expected to be low and since private shipping companies have shown reluctance to carry the cargo on the ground that the trade was not economical enough, the Committee feel that the Corporation should be ready to undertake the operation of coastal services at an increasing rate in the future. In view of this, the committee recommend that the Corporation might examine the question of acquiring more vessels for transport of coastal cargo.*

VII

ORGANISATION

A. Board of Directors

Association
officials.
of non-

84. The Board of Directors of the Shipping Corporation comprises 11 directors, of whom 9 are serving officials and two are retired officials. In their 38th Report (2nd Lok Sabha), the Estimates Committee (1958-59) recommended the inclusion of prominent non-officials, in the Board of Directors. Government accepted this recommendation and stated that one non-official had been appointed and that at the next opportunity when the composition of the Board was reviewed the question would be considered.

85. When this Committee enquired about the decision taken in the matter, the old argument was repeated *viz.*, no useful purpose would be served by the association of non-officials unless they had experience of the problems of shipping industry, and that it would not be in the interests of the Corporation to associate persons whose interests would be competing and conflicting with those of the Corporation.

86. These arguments were considered by the Estimates Committee and since they were not convinced, they made the recommendation referred to in para 84 *ante*. It is not clear why after having accepted the recommendation Government did not proceed to implement it. Moreover, Government have considered retired official as a non-official. *Apart from the fact that a retired official would have more time to devote to the affairs of the Corporation than a serving official, the Committee do not think that he would be able to bring in an approach radically different from that of official as could be expected of a non-officials. The Committee therefore consider it desirable to associate a few prominent non-officials who have knowledge of the problems of shipping industry on the Board of Directors of the Corporation. Some of them might perhaps be selected from All India Organisation representing shippers.*

87. The Committee note that the head of the administrative Ministry is also a member of the Board of Directors. When they enquired about the desirability of such an arrangement, the representative of the Ministry stated that in the initial stages of the setting up of an Undertaking expeditious disposal and implementation was essential and it would be advantageous to have the Secretary of the Ministry as the Chairman. After the Undertaking was well established, he added, the Secretary of the Ministry should resign. In this opinion, association of senior officials of the Ministry on the Boards of management of public undertakings was very necessary not only because the undertakings would benefit from their knowledge and experience, but it would also help in ensuring that the activities of the Undertaking were by and large in tune with the policies of Government. Besides, it would help the administrative Ministry to keep in touch with the activities of the Undertaking.

Nomination
of the head
of the administrative
Ministry on
the Board of
Directors.

88. *The Committee feel that the appointment of the Secretary of the administrative Ministry on the Board of Directors of an Undertaking would result in two disadvantages. First, his presence in a meeting would hamper a free and frank discussion of the issues involved. This would be particularly so in the case of an Undertaking like the Shipping Corporation where the majority are serving officials and hold posts lower in status than the Secretary to the Ministry. Secondly, the advantages of a second screening of the proposals of the Undertaking at the Ministry level would be lost, because the officers in the Ministry would naturally start with the impression that it has the approval of the Secretary, in his capacity as a Member of the Board of Directors.*

89. The representative of the Ministry stated that the system of governmental machinery was full of checks and counter-checks and that no important proposal could be approved by Government because the Secretary to a Ministry had approved it as a Member of the Board of Directors of an Undertaking. *The Committee do not think that this meets the point. They feel that it would not be in the interests of the Undertaking to nominate the head of the administrative Ministry, be he Secretary, Special Secretary or Additional Secretary, on the Boards of Directors of Public Undertakings which are under the control of that Ministry. As for ensuring that the activities*

are by and large in tune with the policies of Government and facilitating the Ministry to keep in touch with the affairs of the Undertaking, the Committee consider that those objectives can be served by nominating an officer at a lower level.

B. Branch Officers

Opening of
new
Branches.

90. The expenditure incurred by the Corporation on Agency fees, brokerage, commissions etc. during the years 1960-61 to 1962-63 is shown below:—

1960-61	Rs. 22.41 lakhs
1961-62	Rs. 32.11 „
1962-63	Rs. 43.48 „

91. The Committee enquired whether the economics of setting up Branch Offices in lieu of agencies at some of the major ports had been considered. In reply it was stated that the question of setting up Branch Offices at Singapore and Madras was under consideration and there was a proposal to make a beginning with Singapore. *The Committee trust that a decision will be taken on this proposal early.*

92. *They would also suggest that a study should be made of the comparative costs of maintaining a Branch Office and engaging of agents/brokers at all principal ports where the Corporation has substantial business. Wherever the cargo offering justifies the setting up of a Branch Office, early action should be taken to set up one.*

C. Government Control

Matters on
which ap-
proval of
Government
is taken.

93. Under Article 34 of the Articles of Association, the Corporation has to obtain the prior approval of Government for the following matters:—

- (a) Creation of and appointment to posts carrying an immediate or ultimate salary of more than Rs. 2,250/- p.m. provided that in so far as the appointment of foreign technical personnel is concerned, the Board of Directors shall have powers to make appointments without any ceiling and without the approval of the President of India.

- (b) appointment of any foreign national except foreign technical personnel to any post in the company.
- (c) implementation of schemes involving capital expenditure of, and conclusion of contracts of, the value of Rs. 25 lakhs (Rupees twenty-five lakhs) and above.
- (d) disposal of any property having an original book value of Rs. 10 lakhs (Rupees Ten lakhs) and above.
- (e) formation of a subsidiary company or companies of the company, and
- (f) any proposal for action relating to the reduction of capital.

94. It is stated that the contingencies referred to against (b), (e) and (f) have not arisen. Besides those stated above, loans negotiated by the Corporation with banks in India and abroad need the approval of Reserve Bank of India and Government and the approval of Government is also taken when any loans are taken from the Shipping Development Fund Committee. In addition to these, the Corporation has discussion with Government on the following matters:—

- (a) Starting of a new Service by the Corporation.
- (b) Important questions relating to:
 - (i) freight rates
 - (ii) pooling arrangements
 - (iii) conference matters etc.

95. *The Committee note that the Corporation is either seeking the approval of or has discussion with Government on several matters relating to shipping. Moreover, there is no clear cut demarcation between the matters on which the Corporation will come to its own decision and those on which it shall seek prior approval. Though the Corporation is not required to refer to Government matters other than those enumerated in Article 34 of the Articles*

of Association, in practice it has been having discussions with Government on many other matters and not coming to decisions independently. In the opinion of the Committee, having discussion with Government has got the same effect as referring matters to Government for approval. The matters on which prior approval of Government shall be taken are enumerated only with a view to allowing the Corporation to take the initiative and come to its own decisions in respect of the other matters. The Corporation appears to have been looking up to Government for guidance in respect of many matters on which it was not necessary for it to do so. For example, in a matter like starting a new service, the Corporation should be better equipped to come to its own decision after assessing the economics thereof.

Directives by Government. 96. Article 37 of the Articles of Association provides for directives to be given to the Corporation by Government. The Committee were informed that no directives had been given by Government to the Corporation. However, as referred to in paras 43 and 81 ante, Government have given instructions to the Corporation in the following instances:—

- (i) to operate the India-Andamans route on behalf of the Ministry of Home Affairs.
- (ii) to undertake the coastal movement of coal.

97. *The Committee feel that a commercial Undertaking like the Shipping Corporation of India should not be asked by the Government to undertake any activity on non-commercial grounds except by issuing a directive. As stated earlier, the Corporation should also make a mention of such activities, and the result on its overall working in its annual reports and accounts. This would reveal a true picture of the working of the Corporation..*

D. Staff

Technical personnel. 98. According to the tentative programme for acquisition the Corporation's fleet is likely to consist of 62 ships by 1967-68. The following statement shows the number of navigation officers and engineers who will be required to man this fleet, the number likely to be available and the surplus/shortage in each category:—

Category	No. required	No. available	Surplus or shortage	Remarks
Masters	77	142	+65	to be employed as C/o
Chief Officers	77	65+63=128	+51	to be employed as 2/o
2nd Officers	77	51+43=94	+17	to be employed as 3/o
3rd & 4th Officers	77+43=120	17	-103	
Chief Engineers	77	167	+90	to be employed as 2/E
2nd Engineers	77	90	+13	to be employed as 3/E
3rd Engineers	77	13+55	-86	
4th Engineers	77			
5th Engineers	154	8	-146	

99. It will be seen that shortages are anticipated mainly in the category of junior officers and engineers. The Committee suggest that necessary steps should be taken from now on to synchronise the recruitment and training of personnel with the programme of acquisition of ships. It should be ensured that adequate training facilities are provided in the country so that no shortage of technical personnel is experienced.

Administrative set-up.

100. There are at present six intermediary officers between the Section Head and the Managing Director as shown below:—

Junior Officer
 Assistant Manager
 Junior Deputy Manager
 Senior Deputy Manager
 Joint Manager
 Manager.

101. The Committee called for information regarding the organisational set-up obtaining in private shipping companies and the duties and responsibilities of officers of the Corporation at each level. It is regrettable that this information was not furnished to the Committee. Prima facie, it appears to the Committee that there are too many levels between the Section Head and the Managing Director. Some of them appear to have been created merely to provide avenues of promotion. The Committee feel that there is scope for eliminating some of these levels without impairing the efficiency. The Committee, therefore, recommend that a study should be undertaken by the Corporation to evolve a proper organisational set-up for the Corporation after taking into account the set-up obtaining in private shipping companies and the span of control considered necessary for an organisation of this nature. The Committee further recommend that if it has not already been done, the duties and responsibilities should be laid down for officers at each level so that the work is attended to with promptness and expedition.

102. It is noticed that Indian shipping companies generally employ more crew than foreign shipping companies for manning vessels of comparable size. This has been the case:

with regard to Shipping Corporation also. Asked about the reasons, the representative of the Ministry stated that it was partly due to lower efficiency and partly due to historical reasons. The Committee were also informed that the Seamen's Union was strongly opposed to any reduction in number. During evidence, the Committee learnt that a separate concept was evolved for the Asian crew at the ILO conference. *The Committee recommend that the entire question may be examined by Government at the appropriate levels.*

103. At present, the Corporation determines the seniority among its officers holding the same post on the basis of basic pay drawn by each. Such a practice is not prevalent anywhere else and the Managing Director agreed to revise it. *The Committee feel that this should be done immediately and rules for determining seniority laid down in consultation with the Ministry of Home Affairs.*

VIII

FINANCE & ACCOUNTS

A. Capital structure

104. The authorised capital of the Corporation is Rs. 35 crores, which is the sum total of the authorised capital of the erstwhile Eastern Shipping Corporation Ltd. (Rs. 15 crores) and the erstwhile Western Shipping Corporation Ltd. (Rs. 20 crores). The shares of the Corporation are wholly owned by Government of India. The paid-up capital of the Corporation was Rs. 23·45 crores as on 31-3-1964.

B. Financial Results

105. A statement showing the financial results of the working of the Corporation during the last three years is given below:—

	1961-62	1962-63	1963-64
			(Rs. crores)
Paid-up capital	23·45	23·45	23·45
Reserves & Surplus	2·27	3·62	4·99
Net Worth	25·67	26·54	27·95
Working Capital	6·88	3·42	6·00
Capital employed (2)	26·54	27·06	32·99
Gross earnings	8·13	10·64	13·34
% to capital employed	30·6	39·32	40·44
Net Profit	1·07	1·32	1·40
% to capital employed	4·0	4·88	4·24
% of Net Profit to net worth.	4·17	4·97	5·0

106. It will be seen from the above table that though the net profit has been rising in absolute terms, its rise has not been as fast as the rise in the gross earnings. The gross earnings and net profit of the Corporation during the last three years and the percentage of increase over the previous year in respect of each are shown below:—

Year	Gross earnings	% of increase over previous year	Net Profit	% of increase over previous year
(Rs. crores)				
1961-62	8.13	..	1.07	..
1962-63	10.63	30.7	1.32	23.3
1963-64	13.34	25.5	1.40	6.0

107. It will be seen that the rise in the net profit is proportionately less as compared to the rise in the gross earnings which means that the rise in the total expenditure of the Corporation is more than the rise in earnings. In this connection, the Committee note that in respect of about twelve items, the increase in expenditure of the Corporation is more as compared to the increase in operating earnings/cargo handled. Details are given below:—

(Rs. lakhs)

No.	Item of expenditure	1961-62	1962-63	% of increase over the previous year	1963-64	% of increase over the year 1961-62
(i)	Wages	53.57	68.92	28.65	91.84	71.44
(ii)	Fuel, Oil & Water charges	58.06	76.59	31.91	91.16	57.01
(iii)	Stores & Spares	25.28	28.41	12.38	36.01	42.44
(iv)	Marine dues, canal dues, customs charges etc.	46.33	69.88	50.83	1,00.49	116.90
(v)	Stevedoring, claims, transhipment, victualling, sundry steamer charges, wireless etc.	163.17	226.01	38.51	3,20.49	96.41
(vi)	Survey expenses, repairs, Dry dock charges etc.	62.62	93.42	49.18	1,29.97	107.55
(vii)	Commission, Brokerage, Agency fees etc.	33.34	44.40	33.17	62.29	86.83
(viii)	Insurance etc.	29.95	36.35	21.37	38.79	29.51
(ix)	Depreciation on fleet.	126.28	155.14	22.85	1,78.15	41.08
<i>Management expenses</i>						
(x)	Salaries	14.26	19.32	35.48	23.44	64.37
(xi)	Staff welfare expenses	0.09	0.18	100.00	0.81	800.00
(xii)	Establishment charges	13.74	17.59	28.02	26.44	92.43
	Operating earnings	7.89	10.43	32.6	13.00	64.7
	Cargo handled (Lakh Revenue tons)	8.70	11.89	36.6	13.27	52.5

108. The Committee therefore feel that there is urgent need for the Corporation to review its expenditure on each item and take remedial measures so that the trend towards proportionately lower net profit is arrested. Since the increase in the cargo handled by the Corporation during 1963-64 has only been 52.5% over the year 1961-62, the justification for incurring higher expenses on the items referred to above should be examined.

Need for reducing expenditure.

109. The table given below shows the expenditure of the Corporation under the head Management Expenses as compared to its gross earnings during the last three years:—

Management expenses.

(Rs. lakhs)			
Year	Management Expenses	Gross earnings	% of management expenses to gross earnings
1961-62	32.10	8.13	3.9
1962-63	42.38	10.64	4.0
1963-64	59.83	13.34	4.5

110. It will be seen from the above table that the percentage of management expenses to the gross earnings has registered an increase in 1963-64. The increase in the management expenses is not justified by the increase in the cargo handled by the Corporation during that year as shown below:—

Year	Management expenses	Percentage increase over previous year	Cargo handled (lakhs tons)	Percentage increase over previous year
1962-63	42.38		11.89	
1963-64	59.83	41.0	13.27	11.6

111. *Normally, the ratio of management expenses should come down when the business expands. The Committee therefore urge that the Corporation should pay special attention to reduce the management expenses.*

C. Return on Capital employed

112. The rate of return on capital of the Corporation as measured by the percentage of gross profit* to capital employed@ is shown below:—

1961-62	5.3%
1962-63	6.3%
1963-64	5.5%

113. *It has been stated that any shipping company can play an enduring role only if the return is about 10%. Since the Corporation's rate of return is very much lower than this norm, effort should be made to reach the desired level as early as possible. The Corporation has plans for acquiring a fairly good number of vessels during the coming years. It is expected that its gross earnings will also rise correspondingly. If proper check is therefore kept on the expendituree, it should be possible to increase the rate of return appreciably.*

114. In this connection it is significant to note that the Corporation is not paying any income-tax within the country. It has been making provision only for taxation abroad. A rebate to the extent of 40% of the cost of new vessels acquired is deductible from the income of all shipping companies for purposes of income-tax and since the Corporation has been regularly acquiring vessels, there has been no need for making provision for income tax. *The Committee are apprehensive that the net profit is likely to be much less than that shown in the annual accounts. It is therefore necessary to notionally calculate the tax which the Corporation would have had to pay but for its acquisition of vessels, so that the true picture regarding the profit is available. If such notional calculation reveals that the net profit is very low or nil, it is a matter of great concern and the Corporation should initiate studies to examine the reasons therefor and take remedial measures expeditiously.*

*Represents net profit plus provision for taxation and interest charges.

@Represents gross block less depreciation plus working capital.

D. Loss in chartering tankers

115. The financial results of chartering the two tankers of the Corporation upto 1963-64 are shown below:—

Year	M.T. "Desh Sewak"	M.T. "Desh Deep"
1956-57 . . .	+0.23	
1957-58 . . .	+2.34	
1958-59 . . .	+1.64	
1959-60 . . .	+1.64	+2.47
1960-61 . . .	+2.25	+5.60
1961-62 . . .	+2.91	-9.55
1962-63 . . .	-15.25	-8.37
1963-64 . . .	-10.77 (estimated)	-6.13 (estimated)

[The Third tanker of the Corporation namely M.T. "Desh Bandhu" was commissioned only in 1964-65.]

116. In respect of M.T. "Desh Sewak" the average profit during the years 1956-57 to 1961-62 has been Rs. 1.83 lakh per year which works out to an average return of 2 per cent. on the capital. During 1962-63 and 1963-64 the Corporation has suffered a loss of 15.25 lakhs and Rs. 10.77 lakhs respectively. The loss was stated to be due to heavy expenditure on special survey.

117. As regards "Desh Deep", the average profit during the year 1959-60 to 1962-63 has been Rs. 6.5 lakhs per year which works out to a return of about 5.5 per cent. In the case of this tanker also, the Corporation is estimated to incur a loss of Rs. 6.13 lakhs during 1963-64 and in addition to the expenditure on special survey, the tanker had to remain off hire for a period of 7 months for extensive and complicated repairs.

118. The Committee do not think that expenditure on special survey can be accepted as a valid ground for incurring such heavy losses. They note that such expenditure

is incurred in respect of other vessels of the Corporation and the expenditure is spread over a period of four years. It is normally to be expected that while determining charter terms, provision would have been made for expenditure on items like special survey which can be foreseen. If this had been done, there is no reason for the Corporation incurring such huge loss. Secondly, as between two tankers which are both employed on coastal trade one has fetched an average return of 5.5 per cent. and the other has been able to give a return of only 2 per cent. The Committee therefore recommend that the reasons for (i) loss incurred during 1962-63 and 1963-64 and (ii) low return on capital during earlier years should be investigated and remedial measures taken. Action should also be taken to estimate the total expenditure likely to be incurred by the Corporation, what would be a reasonable rate of return on the investment and to provide for both while negotiating charter terms in future.

E. Voyage results

119. The table given below shows the voyage results of the Corporation's vessels (sector-wise) during the years 1961-62 to 1963-64:—

Voyage results (route-wise) (Rs. in lakhs)

S. No.	Sector	1961-62	1962-63	1963-64	Percentage increase or decrease in profit during 1963-64 over 1961-62
1	India-Australia.	13.65	18.84	9.43	- 30.9
2	India-U.K. Continent	49.51	55.14	66.64	+34.6
3	India-East Africa	18.74	8.97	6.48	-65.4
4	East Coast India-Far East	17.76	26.27	7.28	-58.9
5	India-Black Sea	0.68	26.98	34.68	+28.5*
6	India -Straits	-3.37	0.23	-0.54	+84.0
7	West Coast India-Far East	6.52	23.94	3.06	-53.0
8	India-U.S.A.	.	Service not started.	23.51	..
9	Coastal & Adjacent	6.76	4.22	4.32	-36.1

* Percentage increase over 1962-63.

120. It will be seen from the table that three routes, viz., India-U.K./Continent, India-Black Sea and India-U.S.A. have shown encouraging results. In one route, namely, India-Straits, there have been losses during the years 1961-62 and 1963-64 and a small profit in 1962-63. In the remaining four routes, the voyage results have shown profits varying between Rs. 3 lakhs and Rs. 9½ lakhs during the year 1963-64.

121. It is, however, noticed that as compared to 1962-63, the voyage results on some routes have shown a considerable decline during the year 1963-64. Thus the profits in India-Australia route declined from Rs. 18.84 lakhs to Rs. 9.43 lakhs, in East Coast India-Far East route from Rs. 26.27 lakhs to Rs. 7.28 lakhs and in West Coast India-Far East Route from Rs. 23.94 lakhs to Rs. 3.06 lakhs.

122. Asked about the reasons for the decline in profit, it was stated that the operational cost had been showing a tendency to increase year by year, and that there were many factors beyond the control of the shipping companies. Reference was also made to the fact that port delays had become a regular feature. Moreover, since the Corporation was in the liner trade, its vessels had to call at certain ports irrespective of the cargo offering.

123. *The Committee appreciate the various difficulties experienced in the running of a shipping service. However, the steep decline in profits during 1963-64 on some routes calls for greater efforts by the Corporation to devise ways and means to increase its earnings on those routes and also reduce the operational costs. The Committee hope that energetic steps would be taken towards this end.*

F. Fleet-at-cost vis-a-vis paid-up capital

124. The table given below shows the fleet-at-cost of the Corporation and its paid-up capital during the last three years:—

Year	Fleet-at-cost	Paid-up Capital	Percentage of Fleet-at cost to paid-up Capital
	(Rupees in crores)		
1961-62 . .	24.24	23.45	103%
1962-63 . .	29.75	23.45	127%
1963-64 . .	34.87	23.45	148.7%

125. It will be observed from the above that the percentage of fleet-at-cost to paid-up capital has shown improvement during the last three years. The Committee, however, understand that the percentage of fleet-at-cost to paid-up capital obtaining in private shipping companies was 324 per cent. in 1962-63. There can be two reasons for the Corporation's percentage being unfavourable as compared to that of private shipping companies. One is that the proportion of paid-up capital to the total capital invested in the Corporation is very high as compared to that of private shipping companies. The equity-debt ratio of the Corporation is 1 : 09 as against the ratio of 1 : 6 in the case of private shipping companies. If the fleet-at-cost is compared with the total capital employed, the Corporation's ratio will not be as unfavourable as it is when compared with the paid-up capital.

126. Further, the erstwhile Eastern and Western Shipping Corporations had to build up their fleet from scratch and their working in the initial stages was comparatively on a modest basis. *The Committee hope that in the years to come the ratio of the Corporation would be comparable to that of private shipping companies.*

G. Reserves and Surplus

127. The table given below shows the reserves and surplus built by the Corporation as at the end of last three years as compared to its paid-up capital.

Year	Reserves & Surplus	Paid-up Capital	Percentage of reserves & surplus to Paid-up capital
1961-62 . . .	2.27	23.45	9.7%
1962-63 . . .	3.62	23.45	15.4%
1963-64 . . .	4.99	23.45	21.3%

128. It will be seen that the ratio has shown improvement during the last three years. The percentage of the Corporation does not, however, compare favourably with the average of some private shipping companies which is

stated to be 103 per cent. in 1962-63. The reason for this is stated to be that the private shipping companies have been in the industry for a long time, while the Corporation is a comparatively new entrant. Further, as stated earlier, the volume of business of the two erstwhile Shipping Corporations was of a comparatively modest value. It was therefore stated that reserves and surplus could not be generated to a substantial extent. *The Committee hope that the trend towards showing better ratio will not only be maintained but improved upon during the years to come.*

IX
MISCELLANEOUS

A. Repairs

129. The statement given below shows the expenditure incurred by the Corporation (vessel-wise) on repairing the years 1961-62, 1962-63 and 1963-64:—

(In Rs.)

Vessel	year			
	1961-62	1962-63	1963-64	
1. T.S.S. "State of Bombay"	6,40,426	8,40,553	8,74,372	Annual & part special survey.
2. T.S.S. "State of Madras"	12,73,357	7,12,044	8,67,302	
3. M.V. "State of Orissa"	2,97,070	—	—	
4. M.V. "State of Gujarat"	2,12,481	—	—	
5. M.V. "State of Andhra"	—	17,55,479	—	Four yearly special survey.
6. M.V. "State of Assam"	—	1,45,518	—	
7. M.V. "State of Bihar"	—	2,38,350	—	
8. M.T. "Desh Sewak"	—	45,69,916	—	
9. M.V. "State of Maharashtra"	—	—	1,33,778	
10. M.V. "State of Travancore-Cochin"	—	—	4,60,502	
11. M.V. "Vishva Prabha"	—	—	3,79,780	
TOTAL	24,23,334	82,61,860	27,15,734	

130. It will be seen that in respect of the vessel 'Desh Sewak' an expenditure of Rs. 45.70 lakhs was incurred during 1962-63 on special survey charges. The vessel was sent to Hong Kong for carrying out the repairs. This vessel was built in 1950 and was purchased by the Corporation in 1957 for Rs. 90 lakhs.

131. The special survey expenditure on this vessel thus amounted to 50 per cent. of the purchase price of the vessel. Asked about the reasons for incurring such heavy expenditure, the representative of the Ministry stated during evidence that it was due to:

- (a) the continuous employment of the tanker on white oil trade, namely, petroleum which is known for corroding the plates;
- (b) No alternative method of employing the tanker partly on white oil trade and partly on black trade which is the ideal employment of the vessel. This is not possible on the coast owing to the exclusive movement of petroleum and petroleum products on the coastal trade.

132. *The Committee find that the expenditure incurred by the Corporation on special surveys of its cargo liner vessels (except "State of Andhra") during the years 1961-62 to 1963-64 has varied between Rs. 1.34 lakhs to Rs. 4.61 lakhs. They feel that there could not be sufficient justification for incurring an expenditure of Rs. 45.70 lakhs on the tanker 'Desh Sewak'.*

133. *The Committee suggest that the circumstances which entailed incurring heavy expenditure on this vessel should be looked into and proper methods evolved for keeping the expenditure on such items within reasonable limits.*

134. It was noticed in this connection that this tanker had to be sent to Honk Kong for repairs and it took 5 to 6 months' time in getting the repairs completed. Explaining the reasons, the representative of the Ministry stated during evidence that 2 months' time was taken by the Garden Reach Workshops Ltd., Calcutta and Mazagon Dock, Bombay to inform the Corporation of their inability to carry out the repairs. Thereafter time was consumed in sending the tanker to Honk Kong and in bringing it back after repairs.

135. The Committee cannot but take a serious view of the fact that the repairing firms took two months to give a reply. They feel that this is a fit case for Government to examine and to fix the responsibility for the delay. Government should also issue suitable instructions in this regard to avoid such delays in future.

B. Port Facilities

136. The table given below shows the number of days lost by the Corporation's vessels during the last three years on account of port delays and the estimated amount of loss on this account:

Year	Number of days lost			Estimated amount of loss at the rate of Rs. 5000/- per day
	Indian Ports	Foreign Ports	Total	
1	2	3	4	5
				(Rs. in Lakhs)
1961-62 .	130	207	337	16.85
1962-63 .	473	319	792	39.60
1963-64 .	402	388	790	39.50

137. The Corporation has pointed out that, of late, all the Shipping Lines are experiencing serious delays at Calcutta. The ships have to wait for about 5 to 6 days for import berths and 3 to 4 days for export berths. Also unloading and loading operations cannot be carried out with the desired speed on account of difficulties experienced in obtaining floating cranes when required, chronic shortage of barges, frequent shifting of vessels from berth to berth, inadequate supply of mobile equipment, congestion in sheds and yard, double banking of ships, shortage of D.L.B. labour, comparatively slow output of workers, bore tides etc. Further, draft restrictions at Calcutta limit the quantity of cargo with which a vessel can enter or leave port. Thus, even if a ship has capacity to load more cargo, it has to restrict liftings from Calcutta, depending on the available draft on a particular day when the ship is expected to sail. Therefore, in most of the cases topping up of cargo at other ports after Calcutta

becomes necessary to make the ships fully laden. It has been stated that topping up of vessels at ports beyond Calcutta is generally with parcels of bulk cargoes which fetch comparatively a very low freight rate. In this connection, development of Haldia port on a top priority basis has also been suggested by the Corporation. The Corporation has also stressed that in the interest of speedier work the Dock Labour Board might introduce Piece-rate system in Calcutta for stevedoring workers and by the Port Commissioners for their shore workers employed by them. Such a system is stated to have worked to the benefit of all in the ports of Bombay and Madras.

138. Delays in ports, lack of adequate port facilities, draft restrictions at Calcutta etc. are common to all shipping companies and constitute serious bottlenecks to the development of Indian shipping. These affect the working of Shipping Corporation also. The Committee hope that Government will take necessary steps to minimise these difficulties.

C. General

139. At present the Annual Report of the Corporation gives information regarding the names of vessels owned, the G.R.T. and the year in which they were built. However, no indication is given about the country where the vessels were built. If this information is also given, it would be possible to know the number of the Corporation's vessels built in India and those built in foreign shipyards. *The Committee suggest that such information may be included in the Annual Reports of the Corporation in future.*

Information called for by the Committee not furnished.

140. *In the course of evidence, the representatives of the Ministry of Transport and the Shipping Corporation promised to furnish information on certain points. A list of such points was sent to the Ministry/Corporation on the 19th December, 1964 but information on those points had not been furnished to the Committee till the time of finalisation of the Report. The Committee take a serious view of this and desire that suitable instructions should be issued to all Ministries/Public Undertakings so that such delays do not recur.*

X

CONCLUSION

141. The decision to set up shipping corporations in the public sector was taken with a view to accelerate the development of Indian shipping. The Committee feel that the Corporation has made satisfactory progress in acquiring tonnage, covering routes touching the country and in earning profits. It has also contributed to putting the country on the shipping map of the world.

142. Along with these achievements, certain shortcomings which need to be overcome came to the notice of the Committee. These have been discussed in the earlier chapters and the more important of these are:

- (i) The Corporation has not been able to make a significant contribution in taking up for operation new routes which are not being operated by any Indian Line. (para 27).
- (ii) The Corporation has not entered tramp trade in which the total share of Indian lines is negligible. (para 61).
- (iii) The Corporation has looked up to government for guidance on several matters, rather than taking decisions on its own initiative in respect of cases where it was competent to do so. (para 95).
- (iv) The Corporation should tighten up its organisational set-up and eliminate superfluous levels of officers. (para 101).
- (v) Though the Corporation's net profits have been rising in absolute terms, its rise has not been as fast as that of its gross earnings. (para 106).
- (vi) The loss incurred by the Corporation in 1962-63 and 1963-64 in chartering the tanker is high. Moreover, the expenditure incurred by the Corporation on the Special Survey of Tankers is on the high side. (paras 118, 132-133).

143. *The Corporation has a dominant role to play in future in the development of Indian shipping. As it will be holding a significant share of the country's tonnage holding in the years to come, it has the responsibility to provide the necessary leadership and drive to other shipping companies so that a greater share of the country's cargo is carried in Indian ships and more and more routes touching the country are operated by the Indian lines. The Committee feel that apart from considerations of profitability the Corporation should devote attention to the development aspect of Indian shipping, such as, exploration of new routes, undertaking of tramp trade etc.*

NEW DELHI; PANAMPILLI GOVINDA MENON,
15th March, 1965. Chairman,
Phalguna 24, 1886 (Saka).
Committee on Public Undertakings.

APPENDIX

Summary of Conclusions/Recommendations

Sl. No.	Ref. to para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	13	The Committee feel that in keeping with Government policy, an upward revision of the expansion programme of the Corporation for acquiring shipping tonnage during the Fourth Plan period would be necessary. This would require that an adequate percentage of the future additions to the country's shipping tonnage is reserved for the Corporation so that its share in the country's tonnage shows a perceptible rise at the end of the Fourth Plan period.
2	18	The Committee feel that the rate of expansion of shipping tonnage in the public sector should not be left uncertain. They are in agreement with the recommendation of the Planning Group that the Public sector should account for 50% of the country's tonnage by 1975-76. In the opinion of the representative of the Ministry this may not be capable of achievement. If so, the Committee suggest that it should be determined as to what share of the country's tonnage should be held in the public sector by 1975-76 and steps taken to achieve it by the targeted date.
3	20	The Committee feel that it would have been well if the Planning Group set up by the Planning Commission had discussed the feasibility aspect with the administrative Ministry and then determined a target for shipping tonnage to be held in the public sector which, though lower than 50%, would have been capable of achievement.
4	27	The Committee find that the Corporation has so far started service only on one new route in which no Indian line was operating. They hope that the Research Call would be strengthened and with the

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help of the studies made by it, the Corporation will be able to start services on more new routes in future.

- 5 28 The Committee trust that a decision regarding the service to West Africa will be taken as early as possible. They recommend that the feasibility of starting one to West Indies may also be examined.
- 6 31 The Committee feel that less remunerative routes should also be operated by Indian Shipping companies with a view to promote the export trade of the country. They however think that the Corporation should not be exclusively asked to operate such routes. It would be desirable if there would be an equitable distribution of the more profitable as also the less profitable routes between the private and public sector shipping concerns.
- 7 32 The operation of less remunerative services should be undertaken only on specific directives from Government and not by the Corporation on its own. Where such activities are undertaken in public interest, the Corporation should give details in its annual reports and accounts and their effect on its overall working.
- 8 35 & 36 The Committee do not consider the inability of the Corporation to carry the entire cargo offerings in the services between India and the countries with which bilateral shipping agreements have been entered into as an insurmountable difficulty. In fact when the Committee had discussion with the representatives of the Corporation at Bombay, they were assured that the necessary tonnage could be arranged in fifteen days' time but that the question was whether the Corporation should be given the monopoly in respect of trades arising out of bilateral agreements.

In the opinion of the Committee, there should be no objection to the Government allotting to the Corporation as many lucrative routes as lie within their power. In the past when relatively unremunerative routes like India-Australia and India-Japan were to be operated, the Corporation was asked by Government to undertake their operation. Similarly, when private shipping companies declined to lift coal on

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the coast, the Corporation was asked by Government to enter the coastal trade. In future also, there may be occasions when the Corporation is required to operate less remunerative or even unprofitable routes in public interest. The Committee, therefore, recommend that new shipping services which are established as a result of bilateral shipping agreements should, as far as possible, be entrusted to the Corporation to compensate it for operating less remunerative routes.

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While the Committee commend the initiative shown by the Corporation in withdrawing vessels from other routes and starting the U. S. A. Service expeditiously they cannot help observing that the proposal to start the service and a decision thereon should have been taken much earlier,

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The collaboration arrangement with M/s. Scindia Steam Navigation Co. Ltd. proved to be a failure in that the erstwhile Eastern Shipping Corporation Ltd. had depended upon that company to provide the know-how, but there was no acquisition of extra tonnage during the period of collaboration. The Committee hope that Government would bear this instance in mind and take due precautions if in future they contemplate any collaboration arrangement with the private sector.

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48 & 49

The Committee consider that there is a case for re-examining the existing arrangements regarding the control and operation of the vessels plying between the mainland and Andaman and Nicobar Islands. At present only the operation of the vessels is looked after by the Corporation and the entire expenses incurred by it on this account are reimbursed by the Ministry of Home Affairs. Such an arrangement would leave little incentive to the Corporation to ensure whether the service is being run as efficiently and economically as it should. The Ministry of Home Affairs would also be concerned primarily with the control of operations and without sound knowledge of shipping industry and the economics of shipping service, they are not likely to be able to effectively supervise the operation of the service from the economic angle.

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Presently the India-Andamans route is not remunerative. The Committee, however, feel that if the control of operation of this service, now vested in the Chief Commissioner, Andaman and Nicobar Islands, is transferred to the Corporation and it is asked to operate the service on its own account, it would be possible to show better working results without in any way affecting the administrative requirements of the Ministry of Home Affairs. If any loss is incurred on the financial results of the operation of the service it should be separately mentioned in the annual reports and Accounts of the Corporation.

Complaints that are received from passengers on this route about the programme of sailings and booking of passengers by the Port Blair authorities. Since the Corporation possesses experience in the control and operation of passenger services on other routes, the Committee are sure that the arrangements suggested above would result in minimising complaints now received on the India-Andamans route. They recommend that the matter may be examined afresh in the light of the above comments and a decision taken early.

- 12 52 The Committee consider that the Corporation is expected to function on commercial basis and it was not proper for it to have undertaken any activity at non-commercial rates on its own. If such a course was considered expedient in the interests of the country, the Corporation should have obtained a directive from Government. The Committee feel that this principle should be applied to all the public undertakings which operate on commercial basis. Firstly, they should not undertake any activities of a non-commercial nature unless there is a specific directive from Government. Secondly, whenever any such activity is undertaken as a result of a directive from Government, mention should be made about it in the annual report and accounts of the undertaking and also its effect on the overall working of the undertaking during the year so that a true picture of its working is available. The Committee recommend that suitable instructions may be issued by Government in this regard to all the undertakings.
- 13 57 & 58 The Committee are surprised to note that during the four years of its existence, the Western Shipping Corporation Limited did not take action to implement

the main objective with which it was formed, *vis.*, specialising in tramp trade. This is despite the fact that the need for acquiring tramp tonnage was fully appreciated and reference was made to it by the Chairman of that Corporation in his address at the Third and Fourth Annual General Meetings (1958-59 and 1959-60).

The Shipping Corporation which was formed by the merger of the two Corporations, also did not undertake the tramp trade. The Committee feel that there is not sufficient justification for this. Since the need for entering the tramp trade was admitted as early as 1958-59, the starting of it should have been considered as one of the Corporation's foremost tasks. Even now the acquisition of bulk carriers to be operated on tramp basis is stated to be in the negotiation stage only. Thus valuable time has been lost by the Corporation in entering this trade. The Committee urge that early action should be taken to acquire the bulk carriers and to undertake carriage of bulk cargo.

59. There is a great scope for acquisition of a number of bulk carriers and the Corporation should draw up a phased programme for the acquisition of adequate number of bulk carriers so that it carries a reasonable portion of Indian Lines share of the country's bulk cargo.
14. 61. Government's policy is stated to be in favour of encouraging Indian shipping companies to undertake carriage of bulk cargo. If this was so, the Corporation as a leading Indian Shipping Company, should have taken initiative in entering the trade much earlier. On the basis of the evidence tendered before them, the Committee feel that greater consideration was given to the fact that the trade was less remunerative rather than to the need for developing the bulk trade in the interest of Indian shipping. The Committee hope that in its future development programme, the Corporation will strike a happy mean between the profitability and development aspects.
15. 62. The problems relating to carriage of bulk cargo in Indian Ships have been examined in detail by a Sub-Committee of the Board of Trade. After considering the various aspects, that Sub-Committee recommended that initially the following two voyage patterns may be adopted:
- (a) full load of iron ore from India to Europe & ballast to U.S.A. East Coast—full load of grain from USA to India.

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(b) full load of iron ore from India to Japan and return in ballast.

- The Committee trust that while undertaking bulk cargo operations, the findings of the above Sub-Committee will be given careful consideration.
- 16 64 It is necessary to develop tramping in overseas trade routes for the carriage of tramp cargoes of the non-bulk type. The public sector should also have a fair share in carrying such cargoes. To enable the Corporation to formulate plans for undertaking the carriage of non-bulk tramp trade, the Committee suggest that Government should formulate their policy early.
- 17 66 The Committee consider that in the initial stages it would not be economical to set up an independent organisation for undertaking the operation of non-bulk tramp trade alone. They feel that it would be of advantage to convert an existing concern into a subsidiary. Mogul Line Ltd., being a running concern, could be suitably converted into a subsidiary of the Corporation. Moreover, its present size and operation are on a modest scale and admit of expansion. Another advantage in converting it into a subsidiary is that it will have the benefit of the experience and supervision of the Shipping Corporation.
- 18 72 The Committee feel that the problem of transporting overseas oil cargo needs to be dealt with in a manner which would be beneficial to Indian shipping companies. As a first step the Ministry of Petroleum and Chemicals should, in consultation with the Ministry of Transport, devise ways and means to ensure that contracts entered into by oil companies are on such terms as would enable the utilisation of Indian tankers to the maximum possible extent. Since the oil companies operate their business in the country with the permission of Government the Committee feel that it should be possible for Government to make them agree to employ Indian tankers to the extent of 50 per cent of the oil cargo.
- 19 74 The Committee have no information as to why the oil companies took the position that they preferred employment of Indian tankers, if they belonged to the private sector. They feel that Government should not have submitted to what amounted to dictation from the oil companies on this matter and revised their policy and allowed private shipping companies to obtain charter terms from the oil companies. The Committee desire that in such matters Government should adopt a firm stand with the oil companies so that they abide by the decisions taken in the interests of the country.

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- 20 79 Since coastal trade has been reserved for Indian shipping, the Committee cannot accept the unwillingness of the oil companies as a valid reason for allowing substantial portions of the coastal tanker cargo to be carried by tankers of the foreign flag. It should have been possible for the Government to take a firm line and to have seen it that the oil companies cease to take an attitude which is against the declared policy of Government and the country's interests. The Committee suggest that an estimate should be made of the possible reduction in the movement of oil products as a result of the establishment of more oil refineries. Depending upon the availability of oil cargo, action should also be taken by the Corporation to acquire the requisite number of tankers. Every endeavour should be made to ensure that the objective of the shipping policy, *i.e.* to carry 100% of the coastal trade by Indian ships, is achieved in the shortest possible time.
- 21 83 Since the Corporation's share in the country's coastal trade by the end of the Third Plan is expected to be low and since private shipping companies have shown reluctance to carry the cargo on the ground that the trade was not economical enough, the Committee feel that the Corporation should be ready to undertake the operation of coastal services at an increasing rate in the future. In view of this, the Committee recommend that the Corporation might examine the question of acquiring more vessels for transport of coastal cargo.
- 22 86 Government have considered retired official as a non-official. Apart from the fact that a retired official would have more time to devote to the affairs of the Corporation than a serving official, the Committee do not think that he would be able to bring in an approach radically different from that of officials as could be expected of a non-official. The Committee therefore consider it desirable to associate a few prominent non-officials who have knowledge of the problems of shipping industry on the board of Directors of the Corporation. Some of them might perhaps be selected from All India Organisations representing shippers.
- 23 88 &
89 The Committee feel that the appointment of the Secretary of the administrative Ministry on the Board
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of Directors of an Undertaking would result in two disadvantages. First, his presence in a meeting would hamper a free and frank discussion of the issues involved. This would be particularly so in the case of an Undertaking like the Shipping Corporation where the majority are serving officials and hold posts lower in status than the Secretary to the Ministry. Secondly, the advantages of a second screening of the proposals of the Undertaking at the Ministry level would be lost, because the officers in the Ministry would naturally start with the impression that it has the approval of the Secretary, in his capacity as a Member of the Board of Directors.

The representative of the Ministry stated that the system of governmental machinery was full of checks and counter-checks and that no important proposal could be approved by Government because the Secretary to the Ministry had approved it as a Member of the Board of Directors of an Undertaking. The Committee do not think that this meets the point. They feel that it would not be in the interests of the Undertaking to nominate the head of the administrative Ministry, be he Secretary, Special Secretary or Additional Secretary, on the Boards of Directors of Public Undertakings which are under the control of that Ministry. As for ensuring that the activities are by and large in tune with the policies of Government and facilitating the Ministry to keep in touch with the affairs of the Undertaking, the Committee consider that those objectives can be served by nominating an officer at a lower level.

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The question of setting up Branch Offices at Singapore and Madras was stated to be under consideration and there was a proposal to make a beginning with Singapore. The Committee trust that a decision will be taken on this proposal early.

They would also suggest that a study should be made of the comparative costs of maintaining a Branch Office and engaging of agents/brokers at all principal ports where the Corporation has substantial business. Wherever the cargo offering justifies the setting up of a Branch Office, early action should be taken to set up one.

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25 95 The Committee note that the Corporation is either seeking the approval of or has discussion with Government on several matters relating to shipping. Moreover, there is no clear cut demarcation between the matters on which the Corporation will come to its own decision and those on which it shall seek prior approval. Though the Corporation is not required to refer to Government matters other than those enumerated in Article 34 of the Articles of Association, in practice it has been having discussions with Government on many other matters and not coming to decisions independently. In the opinion of the Committee, having discussion with Government has got the same effect as referring matters to Government for approval. The matters on which prior approval of Government shall be taken are enumerated only with a view to allowing the Corporation to take the initiative and come to its own decisions in respect of the other matters. The Corporation appears to have been looking up to Government for guidance in respect of many matters on which it was not necessary for it to do so. For example, in a matter like starting a new service, the Corporation should be better equipped to come to its own decision after assessing the economics thereof.

26 97 The Committee feel that a commercial Undertaking like the Shipping Corporation of India should not be asked by the Government to undertake any activity on non-commercial grounds except by issuing a directive. As stated earlier, the Corporation should also make a mention of such activities and the result on its overall working in its annual reports and accounts. This would reveal a true picture of the working of the Corporation.

27 101 *Prima facie*, it appears to the Committee that there are too many levels between the Section Head and the Managing Director.

Some of them appear to have been created merely to provide avenues of promotion. The Committee feel that there is scope for eliminating some of these levels without impairing the efficiency. The Committee, therefore, recommend that a study should be undertaken by the Corporation to evolve

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- a proper organisational set-up for the Corporation after taking into account the set-up obtaining in private shipping companies and the span of control considered necessary for an organisation of this nature. The Committee further recommend that, if it has not already been done, the duties and responsibilities should be laid down for officers at each level so that the work is attended to with promptness and expedition.
- 28 102 It is noticed that Indian shipping companies generally employ more crew than foreign shipping companies for manning vessels of comparable size. This has been the case with regard to Shipping Corporation also. The Committee were also informed that the Seamen's Union was strongly opposed to any reduction in number. During evidence, the Committee learnt that a separate concept was evolved for the Asian crew at the ILO conference. The Committee recommend that the entire question may be examined by the Government at the appropriate levels.
- 29 103 At present, the Corporation determines the seniority among its officers holding the same post on the basis of basic pay drawn by each. Such a practice is not prevalent anywhere else and the Managing Director agreed to revise it. The Committee feel that this should be done immediately and rules for determining seniority laid down in consultation with the Ministry of Home Affairs.
- 30 108 The Committee feel that there is urgent need for the Corporation to review its expenditure on each item and take remedial measures so that the trend towards proportionately lower net profit is arrested. Since the increase in the cargo handled by the Corporation during 1963-64 has only been 52.5% over the year 1961-62, the justification for incurring higher expenses should be examined.
- 31 111 Normally, the ratio of management expenses should come down when the business expands. The Committee therefore urge that the Corporation should pay special attention to reduce the management expenses.
- 32 113 It has been stated that any shipping company can play an enduring role only if the return is about 10%. Since the Corporation's rate of return is very much lower than this norm, effort should be made to reach the desired level as early as possible. The Corporation has plans for acquiring a fairly good number of

- vessels during the coming years. It is expected that its gross earnings will also rise correspondingly. If proper check is therefore kept on the expenditure, it should be possible to increase the rate of return appreciably.
- 33 114 The Committee are apprehensive that the net profit is likely to be much less than that shown in the annual accounts. It is therefore necessary to notionally calculate the tax which the Corporation would have had to pay but for its acquisition of vessels, so that the true picture regarding the profit is available. If such notional calculation reveals that the net profit is very low or nil, it is a matter of great concern and the Corporation should initiate studies to examine the reasons therefor and take remedial measures expeditiously.
- 34 118 The Committee do not think that expenditure on special survey can be accepted as a valid ground for incurring heavy losses in chartering tankers. They note that such expenditure is incurred in respect of other vessels of the Corporation and the expenditure is spread over a period of four years. It is normally to be expected that while determining charter terms, provision would have been made for expenditure on items like special survey which can be foreseen. If this had been done, there is no reason for the Corporation incurring such huge loss. Secondly, as between two tankers which are both employed on coastal trade one has fetched an average return of 5.5% and the other has been able to give a return of only 2%. The Committee therefore recommend that the reasons for (i) loss incurred in chartering tankers during 1962-63 and 1963-64 and (ii) low return on capital during earlier years should be investigated and remedial measures taken. Action should also be taken to estimate the total expenditure likely to be incurred by the Corporation, what would be a reasonable rate of return on the investment and to provide for both while negotiating charter terms in future.
- 35 123 The Committee appreciate the various difficulties experienced in the running of a shipping service. However, the steep decline in profits on some routes call for greater efforts by the Corporation to devise ways and means to increase its earnings on those routes and also reduce the operational costs. The Committee hope that energetic steps would be taken towards this end.
- 36 126 The Committee hope that in the years to come the ratio of fleet-at-cost and depreciated cost to the paid-up capital of the Corporation would be comparable to that of private shipping companies.

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| 37 | 128 | The Committee hope that the trend towards showing better ratio of reserves and surplus to the paid-up capital of the Corporation will not only be maintained but improved upon during the years to come. |
| 38 | 132 & 133 | The Committee find that the expenditure incurred by the Corporation on special surveys of its cargo liner vessels (except "State of Andhra", during the years 1961-62 to 1963-64 has varied between Rs. 1.34 lakhs to Rs. 4.61 lakhs. They feel that there could not be sufficient justification for incurring an expenditure of Rs. 45.70 lakhs on the tanker 'Desh Sewak'.

The Committee suggest that the circumstances which entailed incurring heavy expenditure on this vessel should be looked into and proper methods evolved for keeping the expenditure on such items within reasonable limits. |
| 39 | 135 | The Committee cannot but take a serious view of the fact that the repairing firms task two months to give a reply. They feel that this is a fit case for Government to examine and to fix the responsibility for the delay. Government should also issue suitable instructions in this regard to avoid such delays in future. |
| 40 | 138 | Delays in ports, lack of adequate port facilities, draft restrictions at Calcutta etc. are common to all shipping companies constituting serious bottlenecks to the development of Indian Shipping. These affect the working of the Shipping Corporation also. The Committee hope that Government will take necessary steps to minimise these difficulties. |
| 41 | 139 | At present the Annual Report of the Corporation gives information regarding the names of vessels owned, the G.R.T. and the year in which they were built. However, no indication is given about the country where the vessels were built. If this information is also given, it would be possible to know the number of the Corporation's vessels built in India and those built in foreign shipyards. The Committee suggest that such information may be included in the Annual Reports of the Corporation in future. |

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42	140	In the course of evidence, the representatives of the Ministry of Transport and the Shipping Corporation promised to furnish information on certain points. A list of such points was sent to the Ministry/Corporation on the 19th December, 1964 but information on those points had not been furnished to the Committee till the time of finalisation of the Report. The Committee take a serious view of this and desire that suitable instructions should be issued to all Ministries/ Public Undertakings so that such delays do not recur.
43	143	The Corporation has a dominant role to play in future in the development of Indian shipping. As it will be holding a significant share of the country's tonnage holding in the years to come, it has the responsibility to provide the necessary leadership and drive to other shipping companies so that a greater share of the country's cargo is carried in Indian ships and more and more routes touching the country are operated by the Indian lines. The Committee feel that apart from consider rations of profitability the Corporation should devote attention to the development aspect of Indian shipping, such as, exploration of new routes, undertaking of tramp trade etc.
