

COMMITTEE ON PETITIONS
(FIFTH LOK SABHA)

FIFTEENTH REPORT

[Action taken by Government on the recommendations of the Committee on Petitions contained in their Second Report (Fifth Lok Sabha) regarding development of Kandla Port, Kandla Free Trade Zone etc.]



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE COMMITTEE ON PETITIONS

(1973-74)

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SECRETARIAT

Shri B. K. Mukherjee—*Deputy Secretary.*

Shri J. R. Kapur—*Under Secretary.*

*Nominated with effect from 12-11-1973 *vice* Shrimati Jyotsna Chanda died.

**FIFTEENTH REPORT OF THE COMMITTEE ON PETITIONS
(FIFTH LOK SABHA)**

INTRODUCTION

I, the Chairman, Committee on Petitions, having been authorised by the Committee to submit the Report on their behalf, present this Fifteenth Report to the House, on action taken by Government on the recommendations of the Committee contained in their Second Report (Fifth Lok Sabha) regarding development of Kandla Port, Kandla Free Trade Zone etc.

2. The draft Report was considered and adopted by the Committee on the 19th December, 1973.

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

I. Recommendations which have been accepted by Government.

II. Recommendations which the Committee do not desire to pursue in view of the Government's replies.

III. Recommendations in respect of which Government have furnished interim replies.

4. An analysis of the action taken by Government on the recommendations contained in the Second Report of the Committee on Petitions (Fifth Lok Sabha) is given in Appendix I. It would be observed therefrom that out of 21 recommendations made in the Report, nine recommendations i.e. 42.86 per cent have been accepted by the Government; the Committee do not desire to pursue eight recommendations, i.e. 38.09 per cent in view of Government, replies; and Government have not furnished their final replies in respect of four recommendations i.e. 19.05 per cent, which are still awaited.

5. The Committee hope that action to implement the remaining recommendations of the Committee will be expedited by Government.

NEW DELHI;
December 19, 1973.

ANANT PRASAD SHARMA
Chairman,
Committee on Petitions.

CHAPTER I

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation in para 4.99 of the Report

The Committee feel that the suggestion of the Kandla Port authorities that the Government of Gujarat should be represented on its Board of Trustees by the Secretary of the Public Works Department merits careful consideration by the Government.

Reply of Government

The Central Government have since appointed the Special Secretary to the Government of Gujarat and Chief Engineer (Roads and Buildings), Government of Gujarat as a Member of the Board of Trustees for the Port of Kandla in place of the Director of Ports, Gujarat State vide this Ministry's Notification No. 2-PGA(59)|72, dated the 6th January, 1973, a copy of which is enclosed. (Appendix II).

[Vide Ministry of Shipping & Transport (Transport Wing) O.M. No. 2-PGA (11)|72, dated the 17th September, 1973]

Recommendation in para 4.101 of the Report

From the statement of financial allocations and expenditure made by the Kandla Port Trust during the Third Plan period and subsequent years, the Committee note that the Kandla Port has not been able to utilise fully the allocations made to them. The Committee wish to emphasise the need to manage the finances of the Port more carefully and suitable steps may be taken for a proper phasing of their developmental activities.

Reply of Government

The Committee's recommendation has been noted. The Kandla Port Trust has been asked to ensure that the observations of the Committee are borne in mind carefully so that advance action and planning are initiated in time to enable full use of the funds allocated in the Plans.

[Vide Ministry of Shipping & Transport (Transport Wing) O. M. No. 2-PGA(11)|72, dated the 11th December, 1972.]

Recommendation in Para 4.102 of the Report

The Committee feel concerned at the steep decline in the volume of traffic handled at the Kandla Port during the past few years. While the Committee appreciate that the decline in import traffic has been largely due to a drastic reduction in the imports of foodgrains on account of the Green Revolution in the country, the Committee feel that adequate steps should have been taken well in advance to secure additional traffic for the Port in view of the continuing decline in the volume of import of foodgrains in the country.

The Committee are of the opinion that vigorous efforts should be made to secure additional traffic in respect of the traditional items of import and export. The possibility of routing some non-traditional items through the Kandla Port should also be explored.

Reply of Government

In order to attract more traffic to Kandla Port, the Chairman and the Traffic Manager of the Port have met the representatives of various trade interests, prominent industries and Chambers of Commerce and have apprised them of the facilities available at Kandla Port and the economic advantages of routing their import/export trade through this Port. The Port authorities are arranging Symposia and Conferences where facilities provided at the Port are highlighted. Adequate publicity is being arranged through the media of advertisements and press articles. A Trade Promotion Cell has been set up at the Port to be in touch continuously and vigorously with the prospective importers/exporters in the hinterland. The Port authorities have been contacting various Public Sector Undertakings situated in the hinterland of Kandla to attract new traffic. A statement (See Appendix III) indicating the special incentives being offered by the Kandla Port Trust to attract traffic is attached.

It was decided at the National Harbour Board at its 19th meeting held at Cochin on 5th November, 1971 that Government of Gujarat should be requested to allow a fair share of the exports originating in Gujarat to be routed through Kandla. The Government of Gujarat have intimated that they have issued suitable instructions to the Departments concerned. At the instance of the Ministry, the Port Trust are conducting a detailed survey about Gujarat traffic regarding the quantum of traffic with origin and destination, the Ports used for handling the cargo, the economics of transmitting cargo through the Port of Kandla etc. with a view to identify if the commodities for which concessions might be considered for their export through the Port.

The Bureau of Public Enterprises have requested all the Ministries to persuade the various Public Undertakings/Government agencies under them, particularly those in the economic hinterland of the Kandla Port, to identify the commodities that could profitably be exported through Kandla Port.

[Vide Ministry of Shipping & Transport (Transport Wing) O.M. No. 2-PGA(11)/72, dated the 11th December, 1972.]

Recommendation in para 4.103 of the Report

“The Committee cannot over-emphasise the role that the Public Undertakings/Government Agencies can play in boosting the traffic of the Kandla Port. While agreeing that these Undertakings|Agencies will be guided mainly by commercial considerations in choosing the particular port through which they should route their imports/exports, the Committee would recommend that the Undertakings located in the hinterland of Kandla Port should take a lead in patronising the Kandla Port so that private trading interests may also follow suit. The Government should persuade the various Public Undertakings/Government Agencies particularly those in the economic hinterland of the Kandla Port to identify the commodities that could profitably be exported through Kandla Port”.

Reply of Government

The recommendation has been brought to the notice of all the administrative Ministries concerned with public enterprises for necessary action.

[Vide Ministry of Finance (B.P.E.) O.M. No. 9(26)|72-BPE (GM I) dated 13th April, 1972.]

Recommendation in para 4.110 of the Report

The Committee are happy to note that the Kandla Port authorities are taking necessary steps to create additional warehousing facilities and the Central Warehousing Corporation are likely to send a team to make a survey for the purpose, so that no traffic get diverted to other competing ports simply due to inadequate warehousing facilities at Kandla.

Reply of Government

The Committee's observation has been noted.

The Port Administration has already allotted suitable area measuring about 4 acres within the customs boundary wall to the Central Warehousing Corporation for construction of warehouses which will be leased out/rented out to the exporters/importers. In addi-

tion to this, 2 plots each measuring 4,645 sq. meters have been allotted in the vicinity of the port to leading Tea exporters for construction of their godowns.

[Vide Ministry of Shipping & Transport (Transport Wing) O.M. No. 2-PGA(11)/72, dated the 11th December, 1972.]

Recommendation in para 4.111 of the Report

The Committee note that continuous silting of the entrance channel is one of the major problems faced by the Kandla Port. They, however, note with satisfaction that both the Ministry of Shipping and Transport and the Kandla Port Trust authorities are conscious of the problem and that energetic steps are being taken to provide adequate dredging facilities at the Port. Pending supply of a new dredger by the Mazagon Docks for which an order has already been placed on them, the Committee hope that dredger No. 3 belonging to the Central Government, which has been placed at the disposal of the Kandla Port, would be brought quickly from the Paradip Port which had been held up there on account of the recent cyclone in Orissa.

Reply of Government

Originally, dredging in the Brach channel could be carried out by the Ports dredger S.D. 'Kandla' by working on one or two shift basis as the propelling engines and machinery were getting strained on account of certain inherent defects in the lubrication system. However, lubrication system was subsequently modified and dredging round the clock basis was introduced w.e.f. from 5th April, 1971. This has helped considerably in maintaining the depths in the channel. However, as the capacity of Dredger 'Kandla' is limited. M.O.T. Dredger III which has a capacity about four times more than S.D. 'Kandla' was spared by the Government of India, Ministry of Shipping and Transport for a period of about 7 weeks from 12th June, 1972 at the request of Kandla Port Trust. With the M.O.T. Dredger III, it has been possible to restore the lost depths in the Breach channel which enable Kandla Port Trust to increase the draught for ships by 2.5 ft. with effect from 1st July, 1972. Efforts are continuing to deploy the Port's own dredger 'Kandla' to the maximum possible extent to maintain depths in the channel. However, wherever necessary and possible, the Government of India will consider the making available to the Kandla Port Trust of a suitable Dredger from the Central Pool of Dredgers.

[Vide Ministry of Shipping & Transport (Transport Wing) O.M. No. 2-PGA(11)/72, dated the 11th December, 1972.]

Recommendation in para 4.112 of the Report

The Committee desire that arrangements should be made to provide adequate medical, housing and educational facilities for the employees of the Kandla Port.

Reply of Government

Medical

The following medical facilities have been provided by the Kandla Port Trust for its employees residing at Gopalpuri and Kandla:—

- (i) One hospital-cum-health centre with 8 beds at Gopalpuri.
- (ii) One hospital with 20 beds at New Kandla.
- (iii) One dispensary at Old Kandla for the benefit of Port employees residing at Old Kandla.
- (iv) First-Aid Centre in the cargo jetty area which is kept open round the clock.
- (v) Two ambulance vans have been provided. Out of these, one is always kept ready at the Port.
- (vi) Maternity wards and X-Ray arrangements.

Free medical treatment is given to the employees on regular establishment and their family members and also to work charged and retained shore labourers. The benefit of outdoor medical facilities has also been extended to the labour of the Dock Labour Board, Food Corporation of India, and other private persons connected with the working of the Port living at Kandla.

It has been a constant concern of the Kandla Port Trust Administration to improve and augment the medical facilities for its employees. The notable improvements and additions are:— a new wing costing Rs. 6,37,000 was added to the building of the New Kandla Hospital to provide facilities for indoor hospitalisation, bringing the capacity to 22 indoor beds. The labour rooms for ladies have been air-conditioned. A new powerful X-Ray machine of 200 MA costing Rs. 70,400 has also been added to the facilities in the Hospital.

The Port has got sanctioned strength of 8 Doctors. One Chief Medical Officer, one Senior Lady Doctor and 6 Assistant Medical Officers including two lady Doctors.

Part-time specialists, such as eye specialist and dentist have been appointed by the Port Trust for the benefit of the Port employees and their families. Although it is not the responsibility of the Port Trust to provide medical facilities to the public residing in Kandla area the Port Trust hospitals render outdoor medical facilities to the public residing at Old Kandla and New Kandla.

To augment the medical facilities at Kandla, the State Government has been requested to open a better hospital at Kandla. The Government of India have also taken up this matter with the State Government.

Education

The Port Administration is running two schools, one at Gopalpuri and other at New Kandla, where free education is imparted to the children of Port employees. The school at Gopalpuri imparts teaching upto VII standard. In Classes I to V medium of instruction is in Sindhi, Gujarati and Hindi and from VI onwards the education is given in the medium of Hindi. The School at New Kandla is a High School where the education is imparted upto the Matriculation. The medium of instruction in primary classes, i.e. Class I to Class V is through Hindi, Sindhi and Gujarati and from VI onwards through Hindi. The number of students studying at Kandla is 945 and that at Gopalpuri is 400.

Housing

There are 3 residential colonies for Port employees at Gopalpuri, New Kandla and Old Kandla with 486, 543 and 246 quarters respectively. In addition to these, 33 quarters at Booster Pumping Station for staff working there and 60 quarters for shore labour and 100 quarters for other labourers working at Kandla have been provided. Also, 9 quarters at Viri and 16 quarters at Magalpur have been provided for staff working there on water works. Besides, 174 additional quarters are being constructed at New Kandla.

The total number of port quarters built in different places at present is 1,426. Besides these, 174 additional quarters are under construction. This brings the total quarters to 1,636. The relative percentage of the quarters which will be available after construction of 174 quarters comes to 56.8 per cent of the sanctioned posts. A plan provision of Rs. 38.96 lakhs exists in the Fourth Five Year Plan for this purpose.

[Vide Ministry of Shipping & Transport (Transport Wing) O.M. No. 2-PGA(11)/72, dated the 11th December, 1972.]

Recommendation in para 5.14 of the Report

The Committee are unhappy to note that the Kandla Free Trade Zone, which is the first of its kind in the country, has not been able to achieve its objectives of promoting exports, making fuller utilisation of the facilities developed at the Kandla Port and increasing the employment potential in the Kandla—Gandhidham area. Instead of expansion, the industrial activity in the Zone has slowed down considerably during the past few years. As against 50 parties on the approved list of the Government, only 18 industrial units, have been set up in the Zone so far. Out of these 18 units only 14 are actually working at present, as stated by the Ministry of Foreign Trade. The industrialists in the Zone have, however, pointed out to the Committee that only 2-1/2 to 3-1/2 units are engaged in actual production.

Reply of Government

It is true that the progress of the Zone has not been to the desired extent and the objectives set before it have not been achieved. It may, however, be stated that the Indian Institute of Foreign Trade which has examined the working of the Zone and submitted its draft report to the Government seems to feel that the Zone by itself may not be able to generate additional traffic to an extent by which there would be fuller utilisation of port facilities. However, exports from the Zone have been picking up of late. Exports during 1970-71 were of the order of Rs. 34.44 lakhs, in 1971-72 Rs. 79.78 lakhs and in 1972-73 (upto 9/72) Rs. 65.56 lakhs. The number of units in the Zone which had gone into production upto November, 1971, i.e. at the time of visit of the Committee on Petitions was 14, and not 2½ to 3½ as stated by the trade.

Recommendation in para 6.11 of the Report

The Committee note that despite various steps taken to augment the use of Tuna Port, the traffic handled at the Port has registered a steep decline in recent years. They also note that the traffic by sailing vessels has been coming down during the last ten years at all the Gujarat Ports. The percentage of traffic carried by the sailing vessels to the total sea-borne traffic of Gujarat which was 31 per cent in 1959-60, declined to 13 per cent in 1968-69. Since the administration of Tuna Port rests with the Kandla Port Trust, the Kandla Port authorities should take effective steps to arrest further decline in the traffic handled by the Tuna Port.

Reply of Government

Effective steps to develop the sailing vessel traffic through Tuna Port have already been taken by providing facilities to the trade at this Minor Port. Some of the measures taken by the Port Administration are enumerated below:—

- (i) Deepening of the channel by manual dredging to enable sailing vessel to come to wharf.
- (ii) Providing Bollards.
- (iii) Providing V.H.F. set to be used in the time of emergency.
- (iv) Keeping the Port charges on par with the charges at other Minor Ports in the region.

[Vide Ministry of Shipping & Transport (Transport Wing) O.M. No. 2-PGA(11)/72, dated the 11th December, 1972.]

CHAPTER II

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation in para 0.98 of the Report

The Committee are of the opinion that the representative of the Railways on the Board of Trustees of the Kandla Port should be of a higher rank so that he may be able to take quick decisions at his own level and ensure their implementation in so far as they relate to the Railways.

Reply of Government

The subjects discussed in the meetings of the Port Trust Board relate mainly to the operation of Kandla Port and very rarely subjects pertaining to movement of traffic to and from the port come up for discussion. The present nominee, viz. Divisional Superintendent, Ajmer, is directly responsible for clearance of Port traffic and also competent to deal with any matter pertaining to Railways in so far as this port is concerned.

Further it may not be possible for the Chief Operating Superintendent, Western Railway, to attend the meetings of the Kandla Port Trust which are held every month. The Divisional Superintendent, Baroda and the Area Officer, Ahmedabad, would attend the meetings as necessary and convenient. The Chief Operating Superintendent is kept apprised of the subjects coming up for discussion and he can certainly attend any of the meetings if this is considered to be necessary. The official representative will, however, continue to be the Divisional Superintendent, Ajmer.

It may also be mentioned that the Railways representatives on the Board of Trustees of other ports, namely, Visakhapatnam, Marmugao, Cochin and Tuticorin, are also the Divisional Superintendents concerned.

[Vide Ministry of Railways (Railway Board) Office Memorandum No. ERBI/72/21/65, dated 2-6-1973.]

Recommendation in para 4.104 of the Report

The Committee notice that the Railways have granted concessions for the movement of cotton from 23 stations to Bombay as against from 11 stations to Kandla. The Committee have been informed that there are statutory limitations on the Railways under which they cannot nullify the geographical advantage of one station over another station. However, the Committee feel that in view of the rapid decline in the traffic of the Kandla Port, a change or relaxation in the relevant statutory rules is called for so as to allow necessary concessions being given for movement of cotton, not only from stations which are nearer to Kandla Port than to the Bombay Port but also from other stations so as to improve the position of Kandla Port vis-a-vis the Bombay Port. The suggestion of the Kandla Port authorities that the freights chargeable for Kandla Port should be proportionately lowered according to the distance involved as compared to Bombay is justified and merits serious consideration, so that there is improvement in the traffic handled by the Kandla Port.

Reply of Government

The special rates quoted for cotton traffic from certain stations on the Northern railway to Bombay have since been withdrawn as a result of which the special rates quoted for the same traffic from certain stations to Kandla have also been cancelled. At present cotton traffic to both Bombay and Kandla are being charged at normal tariff rates and the freight rates to Kandla are lower than the rates to Bombay.

[Vide Ministry of Railways (Railway Board) Office Memorandum No. TC|EP|19|65|Vol. I, dated the 22nd Feb., 1973.]

Recommendations in para 4.105 of the Report

The Committee find that there has been a continuous decrease in the supply of Railway wagons for the clearance of import cargo from Kandla Port since November, 1970. From the figures furnished by the Kandla Port authorities, it appears that there has been an appreciable drop in the supply of wagons during the period January, to October, 1971, when it ranged between 82 and 100 at an average per day, as compared to an average daily supply of 137 wagons in October, 1970. The Committee desire that the Ministry of Railways should look into the question of irregular and short supply of railway wagons for the Kandla Port and take effective steps to remedy the situation.

Reply of Government

Movement of Soyabeans from Kandla Port is being arranged in Metre gauge block rakes to Delhi Serai Røhilla. During the year 1971-72, against the total indents of 2782 wagons, 2770 wagons were loaded and indents for only 12 wagons were outstanding on 31st March, 1972 with the oldest date of registration as on 28th March, 1972. As and when additional demands are put up on the receipt of Soyabean Oil tankers, steps are taken to press more rakes into service in consultation with Tank Wagon Superintendent. While there may be some time lag between the arrival of ships and the commencement of such loading, it is not correct to say that the clearance has been inadequate. A small fleet of Vegetable Oil Tanks has been set apart to take care of piece-meal demands but in the interest of quick transit, emphasis is laid on clearance in block rakes, to ensure quicker turn round of wagons. The statement below indicates that the demands were not fairly currently, as the outstanding demands at the end of the month were only 4 or 5 days old, except in one month.

The loading performance from Kandla Port during the year 1971-72 both on Broad Gauge and Metre Gauge was as under:

The demand for the movement of various important commodities viz., wheat, Fertilizer, M|Potash, Zinc Ore, Machinery, Empty Gunny Bags etc. by rail were met in full except for Rockphosphate on the Broad Gauge and Sulphur both on the Broad Gauge and Metre Gauge. In regard to Sulphur, against the total indents of 1209 wagons, 1154 wagons were loaded and the indents for only 55 wagons were outstanding on 31st March, 1972, the oldest indent outstanding being of 29th March, 1972. On the Metre gauge, against the total indents of 1166 wagons, 1147 wagons were loaded and indents for only 19 wagons were outstanding on 31st March, 1972, the oldest being of 30th March, 1972. In regard to Rockphosphate, against a total indents for 850 wagons, 800 wagons were loaded and of the indents for 50 wagons outstanding on 31st March, 1972, the oldest was of 28th March, 1972. It may thus be observed that the indents were met in full and promptly generally. 1971-72 was an unusual year for the railways, when they were beset with a number of problems which seriously affected railway movement. The main single factor was the unsatisfactory law and order situation in the Eastern sector which resulted in heavy accumulation of wagons in the Eastern sector. This position was aggravated by special moves on a massive scale, in connection with movement of foodgrains to Eastern and North Eastern Sectors for refugees and also in connection with Indo-Pak hostilities. These special moves continues till March, 1972 for return of army personnel and movement of Prisoners of War.

During the summer months of 1971, FCI did not agree to load BOX wagons on account of labour trouble. With the acute shortage of covered wagons on the railway, advantage of loading BOX wagons could not, therefore, be taken, which acted as a serious handicap. Loading from Kandla had to be curtailed often due to urgent need for rushing BOX wagons to the coal loading Railways, where coal loading was seriously affected by the special features mentioned above.

On the Metre Gauge, extensive breaches on the North Eastern and North Frontier Railway in August and September, 1971 resulted in immobilisation of a large number of wagons during August and September. This led to some distress on the Metre Gauge system over all the railways.

[Vide Ministry of Railways (Railway Board) Office Memorandum No. 72-IT(I)/6/Kandla dated 25-8-1972.]

Recommendations in para 4.106 of the Report

The Committee note that the running of night shuttles to and from Kandla Port, which was stopped with effect from the 8th February, 1971 on the ground that the trains were not sufficiently occupied and resulted in loss, was restored with effect from the 15th August, 1971, on the condition that the Kandla Port authorities would make a payment to the Railways at the rate of Rs. 280 per day. Since the night shuttles are serving the needs of not only the staff of the Kandla Port, but also of other organisations connected with the Port, namely, the Food Corporation of India, the Dock Labour Board, the Customs, the Clearing and Forwarding Agents, Stevedors, Shipping Agents and the general public, the Committee are of the view that there is no justification for this payment by the Kandla Port to the Railways. The Ministry of Railways should reconsider the matter and waive this payment of Rs. 280 per day by the Kandla Port authorities.

Reply of Government

A shuttle service between Adipur and New Kandla (both ways) was started in April, 1965 at the request of the Ministry of Shipping and Transport for providing transport facilities to the night shift staff of Kandla Port. As the anticipated traffic was not sufficient, the new service was introduced only as a trial measure for three months, subject to the condition that if the occupation of the trains was not found satisfactory, the service would be continued only if the Port Authorities agreed to bear the cost of running the same. The occupation ratio of the trains during the experimental period

was not satisfactory. The experimental period, was later extended upto 30th September, 1965. Even during that period, the actual utilisation of the service was found to be too poor to justify its continuance. However, the service was not withdrawn as the Port Authorities had agreed in principle to make payments to the Railway for the cost of the service.

The cost of haulage of the trains then worked out to Rs. 616.80 per day. However, the charges recoverable from the Kandla Port Trust were fixed at a much lower level, i.e. Rs. 230 per day which represented the bare out of pocket expenses incurred by the Railway. But even at this concessional rate, the Port Authorities did not pay up the bills preferred by the Western Railway Administration for the period from October 1965, attracting the attention of the Audit also. This Ministry took up the matter with the Ministry of Shipping and Transport but no tangible results could be achieved. It was, therefore, decided to discontinue the service. The service was stopped in February, 1971.

The Ministry of Shipping and Transport took up the question of the immediate resumption of the service with this Ministry. The Ministry of Railways agreed to consider the resumption only on the Ministry of Transport and Shipping or the Port Authorities agreeing to make payment of the Railway's dues from October, 1965 to February 1971 at the rate of Rs. 230 per day as fixed by the Railway and further, from the date of resumption of the service either to (a) make payment at the rate of Rs. 280 per day or (b) to ensure the sale of tickets to the Port workers at an average of about Rs. 300 per day. It may be mentioned that the amount of Rs. 280 per day fixed by the Railway as above represented only a portion of the cost of service which worked out to about Rs. 850 per day. In this connection, it is also relevant to point out that during the five years' operation of these shuttle trains from 1966 to 1970, the average daily earnings from the service had amounted to only about Rs. 35.

In response to this Ministry's proposal explained in the preceding paragraph, the Ministry of Shipping and Transport advised that the Kandla Port Authorities have agreed to make payment of the Railway's past dues and that they have accepted the alternative at (a) *in the preceding para.*

In the circumstances explained above, it would be appreciated that there is no justification to alter the arrangements already arrived at between the Ministries of Railways, and Shipping and Transport in the matter.

[Vide Ministry of Railways (Railway Board) Office Memorandum No. TCII/2221/71/Kandla dated 6-5-1972.]

Recommendation in para 4.107 of the Report

The Committee find that one of the main difficulties faced by the Kandla Port is the inadequacy of shipping facilities. While the Committee appreciate that there is a vicious circle of "no cargo—no shipping and no shipping—no cargo", they feel that the Government should consider the provision of adequate shipping services at the Port as part of the infra-structure facilities and bear the extra expenditure involved thereon for some time until there is a regular flow of traffic through the Port. The advantages thus obtained are likely to outweigh the expenditure incurred in the long run. This may be examined by the Government in detail.

Reply of Government

The Port authorities convene meetings of shipowners and exporters with a view to coordinate the shipping schedules of the exporters with the availability of liner service. Further as soon as liner programme is known, the Port authorities circulate this information widely amongst the exporters in the hinterland in order to enable them to take advantage of the calling of the liner vessels and send their export goods for shipment to Kandla. However, on some occasions the exporters did not offer adequate cargo with the result that calling of the liner vessels had to be cancelled.

In the context of promoting growth of traffic through Kandla Port, the question of establishment of regular liner services to Kandla Port has been engaging the Government's attention for quite some time. The matter relating to shipping services to and from Kandla in the overseas trade had been taken up with the Karmahom Conference, the Shipping Corporation of India and the Scindia Shipping Company Limited. The position relating to establishment of shipping services at Kandla is as indicated below:—

- (i) In the trade to U.K./Continent, there are more or less regular sailings from Kandla which mostly cater to the movement of tea to U.K. and crushed bones to U.K. and Continent.
- (ii) In the trade to U.S.A. also, there are more or less regular sailings but with lesser frequency and the main commodity moved is Guar-gum.
- (iii) In the trade from Kandla to West Asia (Gulf Ports) there are more or less regular sailings from Kandla.

- (iv) There are no regular sailings of liner vessels from Kandla to other countries like Japan, Australia, U.S.A. (Pacific) etc. due to lack of cargo offerings.
- (v) In the import trade, direct calls are made at Kandla only by tramp ships and tankers carrying bulk commodities like fertilizers and petroleum products. Raw material for Kandla Free Trade Zone move in smaller parcels of less than 500 tons which are usually discharged at Bombay and transhipped to Kandla mostly by rail.

The Shipping Corporation of India had assured that if the shippers could accumulate their cargoes and indicate their shipping programme sufficiently in advance, they would be in a position to place their vessels at Kandla since the West-coast India/West Asia Gulf Conference have regular coverage and, therefore, there would be no difficulty in finding shipping space to West Asia (Gulf Area). However, unless economic load is available, the ship-owners will not be in a position to berth their vessels regularly at Kandla.

[Vide Ministry of Shipping & Transport (Transport Wing) O.M.No. 2-PG(II)/72, dated the 29th December, 1972].

Recommendation in para 4.108 of the Report

The Committee note that the Ministry of Agriculture have undertaken a special project for mechanical discharge of fertilizers at Kandla Port which is likely to be completed by 1973-74. They further note that with the improved equipment being available for handling fertilizers at the Port there will be an increase in the effective availability of berths. The Committee hope that necessary steps would be taken well in advance to secure more fertiliser traffic for the Port so that the additional facilities created at the Port are utilised to the maximum.

Reply of Government

The Ministry of Agriculture has decided to instal a Mechanical unloading Plant for handling bulk fertilizer and other raw-materials viz., sulphur and rock phosphate. The contract for the Kandla Project has been awarded to M/s. Engineering Project (India) Limited and the execution would be done under the supervision of the Food Corporation of India. The entire cost of the Project would be borne by the Ministry of Agriculture. The first instalment of Rs. 23.53 lakhs has been paid to the Food Corporation of India for payment to E.P.I. in September 1972 and the Food Corporation of India has been instructed not to insist upon the bank guarantee for E.P.I.

since it is a public sector undertaking. The land required for the project in the port area has also been handed over to E.P.I. The work has since started.

2. This project is likely to be put into commission by April, 1975. According to present indications, the project is designed to handle a million tonnes per annum of fertilizer. According to estimates given by that Ministry, the Port will be called upon to handle about a million tonnes of fertilizers after a period of five years, i.e. in 1976-77.

[Vide Ministry of Shipping & Transport (Transport Wing)
O.M.No. 2-PGA(11)/72, dated the 30th December, 1972.]

Recommendation in para 4.109 of the Report

The Committee note that there is great scope for export of salt which is produced in abundance in the close proximity of the Kandla Port. In fact, this is one of the items which can provide perennial bulk cargo for the Port. However, the existing methods of handling salt at the Port are not conducive to attract foreign importers. The Committee have been informed that as compared to 40,000 tonnes of loading per day in Mexico, the Kandla Port can load only 2,000 tonnes of salt per day. Thus, Japan, one of our bulk buyers of salt till recently does not find it competitive enough to import salt from India any longer and has started its import from Mexico and other countries. The Committee feel that there is an urgent need to step up efforts to improve the rate of loading of salt at Kandla Port not only to give a fillip to the export trade of the country, but also to make more extensive use of the port facilities available at Kandla.

Reply of Government

Salt is one of the major commodities of exports from Kandla. At present, nearly 1.5 lakh tonnes of salt is exported annually to South-East Asian countries and coastal destinations viz., Calcutta, Cochin etc. M/s United Salt Works Limited, Kutch Salt and Allied Industries Ltd. and new Kandla Salt Works Limited are the three major salt works which export salt through Kandla. The shipment of salt on account of all the shippers except that of M/s United Salt Works Limited is done at the Cargo Jetty with the help of shore cranes. M/s United Salt Works have their own wooden jetty equipped with conveyor belt system for handling salt with the help of lighters. The loading of salt is carried out in mid-stream for which lighterage and towage facilities are made available on payment of charges. The average rate of loading based on last three years performance achieved in stream as well as cargo jetty is 1220 tonnes and 1787 tonnes per day respectively.

Japan, who was the traditional buyer of salt from India, had stopped purchases of Indian salt due to heavy detention caused to ships loading salt on account of low rate of loading by conventional method. The State Trading Corporation in collaboration with Indian Salt Manufacturers Association has been trying to capture the lost market of Japan by considering the increase in the rate of loading through improved handling facilities at Indian Ports. One of the measures proposed by State Trading Corporation is to create a dump yard in or in the vicinity of the Port and to instal a mechanical plant with a capacity of loading 10,000 tonnes per day. Kandla being a modern Port with up-to-date facilities for handling of bulk cargo like salt has offered the facilities for enabling the E.T.C. to instal a mechanical plant for loading of salt.

A Study Group appointed by the S.T.C. for studying and recommending the type of mechanical plant to be installed at Kandla and the site for creating the dump yard capable of storing 40,000 to 50,000 tonnes of salt near the Port area, had inspected various sites for these purposes in October, 1971. The berth proposed to be mechanised is also to be decided in consultation with the Kandla Port Trust. The Project Report was prepared by the Engineering Projects (India) Limited, New Delhi, thereafter and it was envisaged in this report that berth No. 1 would be mechanised for the purpose of loading salt. The Port, however, felt that this berth would not be suitable for loading salt ships as the structure of transit shed and other installations like berth which were not needed when the berth is mechanised for loading of salt ships. This was pointed out to the S.T.C. who deputed a representative of the Engineer Projects (India) Limited to Kandla to visit the site and prepare a fresh report in June, 1972. The Salt Commissioner, Government of India, alongwith the representatives of Indian Salt Manufacturers Association were associated in the discussions with the representatives of the Engineering Projects (India) Limited. After inspection of the site, it was finally decided to select berth No. 4A from panel No. 34 of 42 for putting up this plant and that the dump yard for collection of salt would be located outside the compound wall of cargo jetty area behind the D-ware house where already a plot is under lease with M/s Kutch Salt Works.

The Chairman, Kandla Port Trust, however, cautioned those present at the discussions that before action is taken to instal a mechanical plant at a cost of about Rs. 2 to 3 crores, the marketing possibility of the Kandla salt, its quantity, quantum and the prices etc.

should be gone into. It was, therefore, decided that S.T.C. should first ascertain from the Japanese buyers regarding the marketability of the local salt before processing this matter further.

[Vide Ministry of Shipping & Transport (Transport Wing) O.M.No. 2-PGA(11)72, dated the 11th December, 1972.]

Recommendation in para 5.15 of the Report

The Committee find that in the absence of adequate shipping facilities at the Kandla Port, the industrial units in the Kandla Free Trade Zone have to resort to Bombay Port for import of raw materials and export of finished goods. On this account they have to undergo cumbersome and costly formalities and incur an additional expenditure of 10 per cent to 15 per cent. The Committee desire that the Government should consider the feasibility of setting up a single unified agency under the Government which should undertake all the responsibility for handling the import/export cargo between the Kandla Free Trade Zone and the Bombay Port and deliver the goods to the parties at the Kandla Free Trade Zone so that the parties are not required to incur the additional expenditure to the tune of 10 per cent to 15 per cent.

Reply of Government

This suggestion is not found to be feasible. The volume of cargo moving from Bombay to Kandla Free Trade Zone and the finished product from the Zone to Bombay is very small and irregular and secondly even if such an agency is created, it would be levying some charge for the services rendered. The levy of charge for transport of small consignments will be quite disproportionate to the profit gained by the industrialist. As such creation of an agency is not a proper solution for eliminating extra transshipment charges which the Zone industrialists have to incur due to lack of suitable sailings from the Kandla Port.

Incidentally this suggestion was also made by the Gujarat Chamber of Commerce & Industry, Ahmedabad in the 1st meeting of Local Advisory Committee of the Kandla Free Trade Zone held on 28-10-1971 when the representative of the Kandla Free Trade Zone Industries Association was also present. It was decided by the Committee that the Zone industrialists may authorise a particular person/agent as their clearing agent for clearing the import and export consignments on behalf of the Zone industrialists. The Secretary of the Kandla Free Trade Zone Industries Association was

requested to ascertain the views of the Zone industrialists and intimate the same to the Zone authorities. Nothing further has been heard in the matter from the Kandla Free Trade Zone industries Association. It is, therefore, presumed that the Industrialists are not keen on the suggestion.

[Vide Ministry of Commerce D.O. No. 5|8|72-FTZ(T), dt.
30-11-1972.]

CHAPTER III

RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation in para 4.97 of the Report

The Committee feel that a representative of the Steamship Agents should be included in the Board of Trustees of the Kandla Port to make it fully representative.

Reply of Government

The Major Ports Commission has recommended that with the massive investments by the Central Government for port development under the Five Year Plans, the need for balanced representation of all interests in the Trust Boards has become urgent. Under these changed circumstances, the Commission considers that the strength of the user interests in the Port Trust Boards should be brought down. It has, therefore, recommended that Boards of the bigger ports may comprise not more than 17 members including the Chairman of which eight will be official members and eight non-official. For small ports, the total membership need not exceed 13, consisting of the Chairman, six officials and six non-officials. This recommendation is under consideration of the Government. The question of allocating a seat to a representative of the Steamship Agents on the Board of Trustees of the Kandla Port will have to await a decision on the Major Ports Commission's recommendation.

[Vide Ministry of Shipping & Transport (Transport Wing)
O.M. No. 2-PGA(11)|72, dated the 11th December, 1972.]

Recommendation in para 4.100 of the Report

The Committee desire that early decision should be taken to implement the recommendations of the Major Ports Commission in regard to the pre-1964 debts payable by the Kandla Port Trust to the Government of India. They cannot over-emphasise the need for making the Kandla Port a financially self-sufficient organisation run on commercial lines. The Port should gear up its activities and organise its finances with a view to achieving the objective of a return of twelve per cent on the capital employed, as recommended by the Major Ports Commission.

Reply of Government

The Major Ports Commission, while considering the terms of Government lending to ports, has recommended the following formula for adoption in respect of the ports of Kandla, Paradip, Mangalore and Tuticorin:—

- (i) provide an outright grant to the extent of 20 per cent of the capital cost of civil works including berths, breakwaters, reclamation, capital dredging, etc., but exclusive of the expenditure on mechanical handling plants and equipment;
- (ii) limit the obligation of these ports to the payment of interest and repayment of the principal to only 50 per cent of the capital outlay after deducting the cash grant. These ports would be required to pay the appropriate rate of interest as applicable to all long term loans advanced by Government during that year;
- (iii) permit the interest to be capitalized during the construction stage of the project;
- (iv) apply a repayment schedule for the loan during a period of 30 years, the first instalment of repayment to commence from the eleventh anniversary of the commissioning of the project.
- (v) treat the balance 50 per cent of the capital outlay after deducting the cash grant as "deferred redeemable capital" which will carry no obligation to the payment of interest nor have any regulated schedule of repayment. The ports would, however, be required to pay Government reasonable return if there is a surplus in the ports' financial working after meeting the obligations of the operating expenses, depreciation, and a fair return of six per cent on the capital employed. The "deferred redeemable capital" would also be eligible for redemption after the loan capital portion is repaid, the repayment period may be 20 equal annual instalments but this would be subject to a review by Government in consultation with the Port Authorities; and
- (vi) review the general financial and traffic situation at these four ports at intervals of ten years for making such ad-

justments as may be necessary in the circumstances then prevailing.

In respect of Kandla and Paradip they have also recommended that this should be applied retrospectively even for the initial capital outlay made till the formation of these Port Trusts. This recommendation is still under consideration of the Government.

The Major Ports Commission's recommendations relating to the financial objectives for Major Ports ensuring a return of not less than 12 per cent by 1978-79 in the case of Kandla Port Trust is also under consideration of the Government. Necessary action to implement these decisions will be taken by the Port Trust on the basis of the Government decision on this recommendation.

[Vide Ministry of Shipping & Transport (Transport Wing)
O.M. No. 2-PGA(11)|72, dated the 20th February, 1973.]

Recommendation in para 5.16 of the Report

The Committee note that the industries in the Kandla Free Trade Zone are not permitted to dispose of their scrap/sub-standard goods for utilisation within the country which has resulted in large scale accumulation of such material in their premises, besides blocking up of their capital. The Committee suggest that the Government should evolve a definite policy for the disposal of scrap/sub-standard goods so that the above difficulties of the entrepreneurs in the Zone are removed. In this connection the Government may examine whether Section 66 of the Customs Act, 1962 should not be made applicable to the industries in the Zone.

Reply of Government

The matter is under active consideration.

[Vide Ministry of Shipping & Transport (Transport Wing)
O.M. No. 2-PGA(11)|72, dated the 11th December, 1973.]

Recommendation in para 5.17 of the Report

The Committee have given their careful consideration to the other problems faced by the industrialists in the Kandla Free Trade Zone. The Committee recommend that the Government may set up a study team consisting *inter alia* of the representatives of industrialists in the Zone to undertake a comprehensive review of the work-

ing of the Zone, in the light of the experience gained so far and to make definite proposals to realise quickly the original objectives to the Kandla Free Trade Zone. It is imperative to make a success of this scheme so that the setting up of more free trade zones to boost the exports from the country may be expedited as in other foreign countries.

Reply of Government

Government had entrusted the Indian Institute of Foreign Trade to undertake an in depth study of the problems inhibiting Kandla Free Trade Zone. Indian Institute of Foreign Trade has submitted a draft report in July, 1972 which is under examination.

[Vide Ministry of Shipping & Transport (Transport Wing)
No. 2-PGA(11)/72, dated the 11th December, 1972.]

NEW DELHI;
December 19, 1973.

ANANT PRASAD SHARMA,
Chairman,
Committee on Petitions.

APPENDIX I

(Vide Para 4 of the Introduction)

Analysis of action taken by Government on the recommendations contained in the Second Report of the Committee on Petitions (Fifth Lok Sabha)

I. Total number of recommendations 21

II. Recommendations which have been accepted by Government. (Vide paras 4.99, 4.101 to 4.103, 4.110 to 4.112, 5.14 and 6.11 of the Report).

Number 9

Percentage to total 42.86%

III. Recommendations which the Committee do not desire to pursue in view of Government's replies (Vide recommendations in paras 4.98, 4.104 to 4.106 and 5.15 of the Report).

Number 8

Percentage to total 38.09

IV. Recommendations in respect of which final replies have not been received from Government (Vide recommendations in paras 5.97, 4.100, 5.16 and 5.17 of the Report).

Number 4

Percentage to total 19.05

APPENDIX II

Copy of Notification No. 2-PGA (59) |72, dated the 6th January, 1973, issued by the Ministry of Shipping and Transport (Transport Wing), New Delhi

G.S.R.... In exercise of the powers conferred by Section 3 of the Major Port Trusts Act, 1963 (38 of 1963), the Central Government hereby appoints the Special Secretary to the Government of Gujarat and Chief Engineer (Roads and Buildings) Government of Gujarat as a Member of the Board of Trustees for the Port of Kandla, constituted by the notification of the Government of India in the late Ministry of Transport (Transport Wing) G.S.R. No. 589 [19-PG (40) / 64] dated 31st March, 1964, in place of the Director of Ports, Gujarat State and makes the following amendment in the said notification, namely:—

Amendment

In the said notification, for the entry against item 5, the following entry shall be substituted namely:—

“Special Secretary to the Government of Gujarat and Chief Engineer (Roads and Buildings) Government of Gujarat (representing the State Government)”.

Sd/-

(Smt. B. Nirmal),

Under Secretary to the Government of India

[2-PGA (59) |73].

APPENDIX III

Incentives provided to the trade by the Kandla Port Trust

- (1) 20 per cent rebate on wharfage charges is allowed to cargo exported to foreign countries. Similar concession is also available for export cargo in storage charges.
- (2) A free period of 7 days is allowed in transit area for export cargo as against a free period of 4 days for import cargo.
- (3) Liner vessels calling at this Port for export cargo for foreign destinations are given berthing priority over other vessels provided sufficient advance notice of the arrival of such vessels is given.
- (4) To attract liner vessels to call regularly at this Port, the Port Trust may consider giving concession in Port charges to such vessels.
- (5) If a vessel has to work in stream for want of an alongside berth for handling packaged cargo, lighterage and towage, is supplied by the Port free of charge.
- (6) Advices regarding programme of export vessels is widely circulated by the Port administration among the trade vessels particularly exporters in the hinterland.
- (7) Literature detailing the facilities provided at the Port with special emphasis on exports is being extensively circulated in the hinterland. The Port officials tour the hinterland bringing the salient features of the Port to the notice of the perspective users.
- (8) Whenever instances are brought to the notice of the Port administration that a particular commodity cannot be exported due to its inability to compete in the international market, such cases are taken up with the Export Promotion Council as well as with the Railway authorities with a view to securing suitable rebate in Railway freight.
- (9) Port charges including wharfage have been fixed at a comparatively low rate as compared with the charges at other Major Ports in order to attract the trade.