

**ESTIMATES COMMITTEE  
(1968-69)**

**(FOURTH LOK SABHA)**

**SEVENTY-THIRD REPORT**

**MINISTRY OF SHIPPING AND TRANSPORT**

**COASTAL SHIPPING**



**LOK SABHA SECRETARIAT  
NEW DELHI**

1. 395A *March, 1969/Phalguna, 1890 (Saka)*  
*Price : Rs. 1.75*

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# ESTIMATES COMMITTEE

(1968-69)

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## INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Seventy-third Report on the Ministry of Shipping and Transport—Coastal Shipping.

2. The Committee took evidence of the representatives of the erstwhile Ministry of Transport and Shipping (now renamed Ministry of Shipping and Transport) at their sittings held on the 15th October, 1968. The Committee wish to express their thanks to the Secretary and Joint Secretary, Ministry of Shipping and Transport; Director General of Shipping; Nautical Adviser; Additional Member, Mechanical, Railway Board; and other officers of the Ministry of Shipping and Transport and Railway Board for placing before them the material and information they wanted in connection with the examination of the estimates.

3. They also wish to express their thanks to Dr. A. Ramaswamy Mudaliar, Chairman, Indian Coastal Conference and President, Indian National Steamship Owners' Association for giving evidence and making valuable suggestions to the Committee on the 24th August, 1968.

4. The Report was considered and adopted by the Committee on the 7th March, 1969.

5. Summary of recommendations/conclusions contained in the report is appended. (Appendix V).

6. A statement showing the analysis of recommendations contained in the Report is also appended (Appendix VI).

NEW DELHI;  
March 19, 1969  

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Phalguna 28, 1890 (Saka).

P. VENKATASUBBAIAH,  
Chairman,  
Estimates Committee.

## CHAPTER I

### INTRODUCTORY

#### A. Importance of Coastal Shipping

1.1. Every maritime country looks upon its shipping as a great national asset, a powerful instrument of national economic policy, a vital need for the growth of its trade and commerce and a second line of national defence. In many of these countries even coastal shipping is considered a national activity of great importance. For a country like India with its geographical position and its long coastal line of about 5,000 kms having access to the sea on three sides, coastal shipping has a basic importance. It serves not only such a long coast line but also more than 150 milometres hinterland. Thus it serves about 7:50 lakh square kilometres of hinterland which is about one-fourth of the area of the Union of India.

1.2. Besides being an integral part of the domestic transport system, which is ideally suited for carrying bulk cargoes at low cost as well as transportation from port to port, it provides employment for a large number of traditional seamen and supports substantially a wide range of activities which are ancillary to ship operation like shipbuilding, shiprepairs, port management, stevedoring, etc. It also serves as a nursery and a training ground for the country's overseas shipping and provides a nucleus of vessels and personnel for overseas use in times of emergency. It constitutes the first reserve which is readily available in an emergency more easily than ships scattered in foreign waters all over the world. An adequate fleet of coastal shipping is thus not only an economic necessity but also a valuable asset in times of emergency.

1.3. The important place, which coastal shipping occupies in the transport system of the country has received wide recognition at the hands of various authorities like the World Bank, Railway Freight Rate Structure Committee, Committee on Transport Policy and Co-ordination, Rail-Sea Coordination Committee etc. An important observation made by the President of the World Bank in 1956 in his letter to the Finance Minister of India in connection with the second five year plan targets deserves to be noted. It is that "Lack of adequate transport facilities threatens to constitute the bottleneck in the country's economic development" and therefore, "attention should be given to the possibilities of improving the operational effi-



ciency. of Railways and of encouraging road transport and coastal shipping." The emphasis laid on the need to encourage road transport and coastal shipping in addition to improving the operational efficiency of Railways is significant. It means that the country's internal transportation cannot depend entirely on Railways and needs to be properly supplemented by other forms of transport including coastal shipping. The above prophetic observations made by the President of the World Bank proved correct, when as a result of transport bottleneck which the Railways had developed in 1961, the coastal shipping was called upon to provide increased capacity for movement of coal from one million tons to two million tons on the basis of a decision taken at the Cabinet level.

1.4. Another important role which the coastal shipping has recently started to play is to assist the promotion of export trade to adjacent countries. The Indian coal has recently started moving to its traditional markets Colombo and Burma, against annual c.i.f. contracts entered into by the MMTC and the Shipping space for these movements is provided by Indian Coastal Ships. These are export commitments and have to be met on priority basis. They are incidently the only earners of the much-needed foreign exchange for the coastal fleet.

1.5. The MMTC have also recently secured a contract for the export of coal to Hongkong, but these shipments are being made in foreign chartered vessels, as no coastal ship can be diverted due to the existing acute shortage of coastal tonnage.

1.6. A few small vessels have also been diverted to cater to Bombay/Persian Gulf trade, which has shown phenomenal increase particularly for steel bars, pipes etc. after the closure of Suez Canal. The Coastal ships are also being utilised for movement of rice from Burma and occasionally for lightening of foodgrains ships and transport of clinker and cement to Colombo.

## **B. Indian Coastal Shipping before Independence**

### *Historical Background*

1.7. Before independence the Coastal sea-borne trade of India, was mainly in the hands of British Shipping Companies viz. the British India Steam Navigation Co. and the Asiatic Navigation Co., Indian Shipping lines provided only about 33 per cent of the shipping services. The allocation of traffic between British and Indian Lines:

was regulated by the terms of the Tripartite Agreement of 1934 which covered coastal traffic and trade with adjacent countries like Burma and Ceylon.

1.8. In the year 1938-39, nearly 46 per cent of the purely coastal trade of the country was made up of articles wholly or mainly manufactured raw materials and articles wholly or mainly unmanufactured constituted another 32 per cent., while the remaining 22 per cent. of the trade consisted of food, drink and tobacco. In the same year India's export of food articles to Burma and Ceylon amounted to 30 per cent of the total export trade; the share of raw materials and articles mainly unmanufactured was 15 per cent while that of mainly manufactured articles was 45 per cent. On the import side the share of food, drink and tobacco was 52 per cent and manufactured articles 3 per cent. Thus it will be seen that the predominant group was that of manufactures both in the coasting trade and India's export trade with Burma and Ceylon, while imports from these two countries were almost wholly food articles and raw material.

1.9. The average cargo lifted by Indian Shipping Companies during the period of 6 years ending 30th June, 1938 amount to about 25 per cent of the total trade. The total quantity of imports and exports in the fiscal year 1938-39 amount to 42 lakh tons, which compare favourable with 37 lakh tons actually carried by the shipping companies.

1.10. The First World War with its tale of sinking of ships and the plight of some neutral countries who depended for their supplies on foreign shipping brought home to all maritime countries the importance of an adequate national mercantile marine. Several countries built up their merchant marines, as a result of which the world tonnage showed a steady rise during the two decades that followed the war. The then Government of India, however, took practically no steps to assist the development of coastal shipping. There were persistent demands from the public, both inside and outside the legislature, for the speedy development of national shipping, but the only step taken by Government was appointment of an Indian Mercantile Marine Committee 1923 to recommend suitable steps for the development of national shipping. This Committee, which submitted its report in 1924 made several recommendations including the reservation of the coastal trade and grant of subsidies and other forms of state aid to national shipping. But the only action taken by Government was the establishment of a training

institution viz. "Dufferin" for the training of Indians as navigation and engineer officers.

1.11. Recent Indian Shipping history may be regarded as having commenced with the establishment of the Scindia Steam Navigation Co. Ltd., in 1919, which started with a voyage of their ship s.s. "Loyalty" on the 5th April, 1919 from Bombay to U.K. Subsequently the company attempted to enter its home waters with six cargo boats bought in London but met with severe competition from the British India, and the Asiatic Steam Navigation Companies, which then dominated the coastal trade of India for several decades past. However, by 1923 after the Scindia Steam Navigation Co. had shown the strength of its resources and under the rapidly changing political and economic climate the British Indian Company entered into a ten-year Agreement with it. Under this agreement, the Scindia Steam Navigation Co. agreed to confine its activities only to the coastal trade of India, Burma and Ceylon, but to engage in the Bombay-U.K. trade or coastal passenger traffic and not to increase its fleet by more than seven vessels in a period of 10 years.

1.12. This agreement was subsequently replaced by a tripartite conference agreement which came into force on 1st April, 1933 for a period of 5 years and was allowed to continue till 31st December, 1939. Under this agreement the Scindia Company was admitted as a member of the coastal conference and the three companies were allotted share of the cargo trades, with the exclusion of coal and salt, in the following proportion:

|                  | BI<br>per cent | Scindia<br>per cent | Asiatic<br>per cent |
|------------------|----------------|---------------------|---------------------|
| Cargo from Burma | 49             | 40                  | 11                  |
| Karachi          | 50             | 42.5                | 7.5                 |
| Bombay           | 46.7           | 33.3                | 20                  |
| Calcutta         | 60             | 25                  | 15                  |

As regards coal and salt, the proportions were :

|         |    |       |
|---------|----|-------|
| BI      | .. | 62.5% |
| Scindia | .. | 12.5% |
| Asiatic | .. | 25%   |

1.13. At this time, the other Indian companies which were in existence were all small companies operating on the Malabar coast. Owing to competition and frequent rate war in this sector, Government were obliged to intervene and in 1935, the then Commerce Minister, Sir Joseph Bhore, used his good offices and gave his award, which later on came to be commonly known as "Bhore Award" to secure 85 per cent of the west coast trade to the small Indian Shipping Companies, leaving the balance 15 per cent to the three members of the coastal conference.

### C. Indian Coastal Shipping since the advent of Independence

1.14. With a view to formulating a National Shipping Policy, a Reconstruction Policy Sub-Committee on Shipping was appointed in 1945. The Committee, whose report was submitted early in 1947, recommended, among other things, that the ultimate target for Indian Shipping should be fixed at two million tons gross. They also recommended that coastal trade should be reserved for Indian Shipping and that a licensing scheme should be introduced for the purpose. These recommendations were accepted by Government and the Control of Shipping Act, 1947, which was originally enacted for the purpose of regulating Indian Shipping by a system of licensing to ensure orderly movement of essential cargoes on the coast in the immediate post-war period, when tonnage was in short supply, was amended in 1948, to bring within its purview foreign ships engaged in the coastal trade.

1.15. In 1947 the Reconstruction Policy Sub-Committee on Shipping under the Chairmanship of Shri C. P. Ramaswami Aiyar made the following recommendations:—

"We have already referred to the almost universal practice of reserving coasting trade to the national flag. There has been an insistent demand, for over two decades now, that the coastal trade of India should be reserved for shipping owned, controlled and managed by the nationals of the country. It is a matter of deep regret that the Government of India have not responded to this insistent demand of the Indian people. We would, however, express the hope that this particular recommendation of ours, based on a policy recognised all the world over, would be put into immediate effect. Licensing of the coastal vessels is a necessary corollary to reservation and we have, therefore, recommended the constitution of a

Shipping Board for this purpose. It will be the responsibility of the Board to ensure on the one hand that the trade is not penalised by any undue rise in the rates of freight, and to so regulate on the other hand the tonnage to be licensed as to maintain the conditions of efficient operation and economic working.

Broadly speaking this group (adjacent trade and trades with the Far East) comprises the whole of Africa, the Middle East (including the Persian Gulf), Thailand, Indo-China, Malaya and the Dutch East Indies. Nearly 60 per cent of India's export trade with this group of countries in the year 1938-39 consisted of food, drink and tobacco and the remaining 10 per cent. of raw materials and unmanufactured articles. As much as 76 per cent of our imports from these geographically adjacent countries was made up of raw materials and unmanufactured articles while the rest of the trade was made up of food articles 19 per cent and manufactured articles of 5 per cent.

It is well-known that Indian Shipping has practically no footing in India's overseas trades. Barring the recent participation to a very small extent of Indian Shipping in the carriage of pilgrims to Hadjaz and the recent carriage of rice from Java to India by a newly acquired vessel of the Indian Steamship Company, Indian Shipping is conspicuous by its absence in the overseas trade of India. Nearly 70 per cent of the vessels that entered and cleared at ports in British India in the pre-war years was of British nationality. What is meant is that British ships owned by British ship-owners carry this trade. British Shipping is contrasted here with Indian shipping truly so called. Both in the coastal trade and in the overseas trade of the country, it is British Shipping which has been occupying a predominant position. We are of the opinion that Indian shipping should have at least 75 per cent in what might be described as the geographically adjacent trade. The total quantity of India's imports and exports with this group of countries was about 2½ million tons in the year 1938-39. We would recommend that nearly 1·9 million tons of this cargo should in future be carried in Indian bottoms. One of the important commodities which we supply to most of these countries is jute and jute goods, of which India has practically a monopoly. We

have also developed our trade in cotton manufactures with these countries. Again, during the war some of these geographically adjacent countries had to look to India as almost the sole supplier of certain categories of goods like cotton manufactures. We would therefore urge the Government of India that next to the coastal and associated coastal trades and securing a due share of the trades formerly carried by axis powers, they should concentrate on acquiring for Indian shipping at least 75 per cent of the near trades described above."

1.16. After that the Government of India enunciated a new shipping policy based on the recommendations of the Sub-Committee of the Reconstruction Policy Committee and the Coastal trade was reserved exclusively for Indian flag vessels. Consequently, the Tripartite Agreement was replaced by the Coastal Conference Agreement in 1951 and the Indian Coastal Conference was established. The British companies continued to be associate members of the Conference for some time. By 1953 the coastal seaborne traffic was completely taken over by Indian shipping lines. The Control of Shipping provisions were later incorporated in the Merchant Shipping Act, 1958, under Part XIV of the Act, which covers sections 405-414 thereof.

1.7. It has been represented to the Committee by the Indian Coastal Conference and the Indian National Steamship Owners' Association that it is a paramount necessity that the importance of coastal shipping should be recognised especially on two grounds viz. (a) commercial and (b) strategical. As for (a) it is always convenient to carry cargo moving in large bulk like coal, salt, cement, foodgrains, fertilizers etc. for long distance by sea and ship is the convenient form of carrier for such bulk movement. As regards (b) merchant navy is the second line of defence and ships can be relied upon for the carriage of men and materials in times of emergency. The Conference have emphasised that despite the acceptance of this fact by several Government's spokesmen, Government have failed to take the necessary measures to enable the development of the industry.

1.18. The Committee are of the view that the Railway transport system is susceptible to the vagaries of floods and could be dislocated during war or due to other reasons. It is, therefore, essential to have a coastal fleet which can play a supplementary role in the transport system of the country in normal times and which will have to shoulder crucial obligations during any emergency.

## CHAPTER II

### ORGANISATION

#### A. Organisation in the Ministry

2.1. The organisational set up in the Ministry of Transport and Shipping in so far as coastal shipping is concerned is as follows:—

Secretary  
Joint Secretary  
Deputy Secretary  
Under Secretary  
M. D. Section

There are three sections in the Ministry of Transport and Shipping dealing with the problems of shipping and allied matters—*viz.*—

- (i) Mercantile Marine (Development and Legislation section (M. D. Section);
- (ii) Mercantile Marine (Administration Section) (M.A. Section);
- (iii) Mercantile Marine (Training Section) (M. T. Section).

The M.D. Section is concerned with the development of shipping, including coastal shipping.

2.2. The Ministry of Transport and Shipping is concerned with direction and policy decisions concerning coastal shipping, while its implementation is the responsibility of Directorate General of Shipping, functioning under the Ministry as a subordinate office with Headquarters at Bombay.

#### B. Directorate General of Shipping

##### *Development of Coastal Shipping*

2.3. Matters pertaining to acquisition of coastal ships, grant of loans by Shipping Development Fund Committee to shipping companies and measures of assistance to the coastal shipping industry (such as concessional port charges, concession in excise duty on fuel oil) are dealt with in the D.G. Shipping though the final decisions are taken in the Transport Ministry.

2.4. So far as coastal trade is concerned, the D.G. Shipping maintains the following statistics:

- (i) Position of Indian tonnage employed on the coast as at the end of each month.
- (ii) Volume of dry cargo commodity-wise carried on the coast during each year.
- (iii) Volume of oil products carried on the coast during each year by Indian and foreign tankers.
- (iv) Passengers carried in the coastal trade during each year.
- (v) Annual freight and passenger earnings of Indian shipping companies in the coastal trade.

2.5. The allocation of work among the various sections of the Directorate is done under broad headings such as acquisition of ships, grant of loans to shipowners, licensing of ships, training of Merchant Navy personnel matters pertaining to crew, measures for ensuring safety of life at sea, etc. which are common to both coastal and overseas ships. The Ministry have stated that it is therefore difficult to make any precise assessment of the volume of work relating exclusively to coastal shipping and the staff employed thereon.

*Issue of Licences to vessels participating in coastal trade*

2.6. The licensing functions of the Directorate General of Shipping arise out of the administration of Part VIX of the Merchant Shipping Act, 1958. The relevant statutory provisions dealing with licences are contained in sections 406 and 407 of the Act.

Under these sections, Indian ships or other ships participating in the coastal trade by India are required to possess trading licences issued by the Directorate General of Shipping. The licensing powers have been taken by Government mainly to—

- (a) regulate the employment of tonnage on the coast;
- (b) ensure that, consistent with the policy of coastal reservation, foreign ships are not employed on the coast except with the prior approval of Government; and
- (c) ensure that Indian Ships are made available for operation in any essential sector of the coastal trade or for the carriage of any essential cargo or for meeting any national emergency.



2.7. The licences issued to coastal ships fall under the following categories:

- (a) General licences are issued to vessels on the Indian Registry which are intended for coastal trading. As the coastal trade is reserved for Indian ships, these licences are generally valid until they are revoked, although recently, the period of validity has been limited to five years at a time. The number of general licences issued to coastal vessels during the years 1965, 1966 and 1967, is 11, 6 and 12 respectively.
- (b) Specified period licences are generally issued to foreign vessels which have to be employed in the coastal trade temporarily due to the non-availability of Indian vessels (e.g. tankers time-chartered by the Indian Oil Corporation for the coastal movement of petroleum products) or to Indian vessels whose employment in the coastal trade has to be limited to specified periods at a time (e.g. Indian tankers time-chartered by the foreign oil companies for specific periods for the coastal movement of the refinery products). The number of specified period licences issued to coastal vessel during the years 1965, 1966 and 1967 is 7, 8 and 11 respectively.
- (c) Specified voyage licences are generally issued to foreign vessels to enable them to perform coastal voyage on *ad hoc* basis. They are also sometimes issued to Indian vessels if for any reasons they are not in possession of general licences for trading on the coast. Such foreign vessels generally fall under the following three categories—
  - (i) Ships which are permitted to lift transshipment cargoes on the coast *i.e.*, cargoes which are brought by foreign vessels from overseas and mislanded at coastal ports through bonafide mistakes. The cargoes to be transhipped in such cases do not generally exceed a few packages at a time and licences are issued provided transshipment is effected by vessels under the ownership or agency of the original carriers and no extra freight is paid on the transshipment.
  - (ii) Tankers utilised by foreign oil companies for the coastal movement of refinery products. Under the Agreement

relating to establishment of the refineries concluded between the Government of India and the foreign oil companies, the latter are permitted to employ foreign tankers on the coast for the movement of the refinery products.

- (iii) Foreign vessels which lift cargo from Indian ports to ports in Pakistan. The "coasting trade of India" as defined in the Merchant Shipping Act, 1958 covers the carriage by sea of goods or passengers from any port or place in India to any other port or place on the continent of India. Foreign vessels carrying cargo from Indian ports to ports in Pakistan thus come under the licensing control of the Director General of Shipping. As however, the trade between India and Pakistan is strictly speaking an international trade and not part of the coastal trade, licences are freely issued as a matter of policy to foreign vessels operating in this trade.

2.8. The number of specified voyage licences issued to foreign vessels during the last 3 years is given in the following statement:

Number of Licences

| Ships utilised for lifting transhipment cargoes |     | Tankers | Ships plying in the Indo-Pak Trade |
|---|-----|---------|------------------------------------|
| 1965  | 77  | 176     | 133                                |
| 1966  | 95  | 177     | 141                                |
| 1967  | 133 | 140     | 101                                |

2.9. Several other items which are common to both coastal and overseas ships such as training of merchant navy personnel, measures for the safety of life at sea, recruitment of seaman, welfare of seamen, facilities for repairs and drydocking, etc. are also dealt with in the Directorate General of Shipping.

2.10. It has been stated by the Ministry that it is difficult to make any precise assessment of the volume of work relating exclusively to coastal shipping, the strength of the staff employed for the purpose and the expenditure incurred on them. On a very rough basis, 3508 (Aii) L.S.—2.

however, these have been worked out as in the statement given below:

| Volume of work pertaining to coastal ships | Particulars of staff |              | Annual expenditure on staff |
|--|----------------------|--------------|-----------------------------|
|  | Gazetted             | Non-gazetted |                             |
| Year                                       |                      |              | (Rs. in lakh)               |
| 1965                                       | 6                    | 12           | 1.65                        |
| 1966                                       | 5                    | 10           | 1.35                        |
| 1967                                       | 4                    | 8            | 1.14                        |

*Provision of tonnage for the movement of essential commodities like coal, salt, timber etc.*

2.11. It has been stated that as the Director General of Shipping has licensing control over ships operating in the Coastal trade, he is expected to ensure that coastal ships are not diverted to other trades without adequate justification and that the available coastal shipping tonnage is effectively employed for the movement of essential commodities like coal, salt, timber, etc. The Committee have been informed by the Ministry that in actual practice seldom exercises his statutory powers but only uses his good offices with the shipping companies for the purpose.

**2.12. The Committee note the functions of the Directorate General of Shipping in regard to the operation and development of coastal shipping. They are glad that although the Director General, Shipping has statutory powers in relation to the effective employment of the coastal shipping tonnage, he rarely uses such powers and uses his good offices with the shipping companies for the purpose. The Committee hope that this cooperation will lead to practical enforcement of rules.**

### C. National Shipping Board

2.13. The National Shipping Board is a permanent statutory body set up under Section 4 of the Merchant Shipping Act, 1958. Its functions are to advise Central Government on (i) matters relating to Indian shipping including the development thereof and (ii) such matters arising out of the Act as the Central Government may refer to it for advice.

2.14. The Board was set up on the 1st March, 1959 and has since been reconstituted every two years in accordance with the statutory rules pertaining to the Board usually meets once in three or four months. It has so far held 27 meetings since its inception. The meetings are held either in Delhi or at one or other of the major ports. From time to time the Board has set up sub-committees to review these problems and formulate proposals for their solution. The Board and its sub-committees have submitted the following reports to the Government:

- (i) Report of the Board relating to shipping target for the third Plan which *inter alia* dealt with problems of coastal shipping.
- (ii) Report of the first sub-committee relating to coastal shipping which was adopted by the Board in 1962.
- (iii) Report of the Second Sub-Committee relating to coastal shipping which was adopted by the Board in 1963.
- (iv) Report of the Sub-Committee which examined the question of introducing general cargo services with small vessels on the coast which was adopted by the Board in 1964.
- (v) The Report of the Third Sub-Committee relating to Coastal Shipping which was adopted in 1965.
- (vi) Report of the Sub-Committee which examined the question of acquiring additional tankers for the coastal and overseas trades, which was adopted by the Board in 1967.
- (vii) Report of the Study Group on coastal shipping which was adopted by the Board in August 1968.

2.15. On being pointed out that although many committees, sub-committees and study groups appointed by the National Shipping Board have examined the problems of coastal shipping, very few recommendations have been implemented and very little has so far been done for the development of coastal shipping, the representative of the Ministry has stated that there have been studies made by the National Shipping Board at various times but "before action could be taken on one of the studies, the conditions of carriage and the conditions under which coal was required to be moved changed, and then a second committee was appointed and before something could be done on that, conditions again changed."

2.16. The representative of the Ministry of Transport has stated in the course of evidence that the National Shipping Board was a standing body set up under the Indian Merchant Shipping Act and it

met quite often. Whenever any difficult item came up on the agenda, they appointed a sub-committee to go into the question and the sub-committee made a series of reports. Referring to the Report of the sub-committee of the National Shipping Board brought out in April 1963, he has stated "The last Report is the most critical Report, and we have broadly accepted the recommendations made in that Report."

2.17. The Committee feel that the recommendations of the National Shipping Board and its sub-committees have not been given the serious consideration that they deserve. The Committee hardly see any justification for referring problems to the National Shipping Board for examination and report if their recommendations are not to be implemented with expedition. The Committee hope that Government will promptly initiate action to implement those recommendations contained in the last report of the National Shipping Board (August 1968) which have already been accepted by the Ministry of Shipping and Transport.

#### D. Shipping Development Fund Committee

2.18. The Shipping Development Fund Committee was established by the Central Government in March, 1959 under Section 15(1) of the Merchant Shipping Act, 1958. Under the Act, the Committee consists of a Chairman and a maximum of 6 members who are appointed by the Central Government. Every Member of the Committee holds office for a period of 3 years from the date of notification appointing him as a Member.

2.19. Under the Merchant Shipping Act, 1958, the Shipping Development Fund Committee has to be financed as follows:—

- (a) Outright grants that may be made by the Central Government for being credited to the fund from time to time.
- (b) Loans advanced by the Central Government to the Shipping Development Fund Committee.
- (c) Such sums of money as may from time to time be realised out of re-payment of loans paid from the fund or from the interest on loans or dividends from investments made from the fund.
- (d) Such other sums as may be received for being credited to the fund.

2.20. Under the Merchant Shipping Act 1958, the Shipping Development Fund has to be utilised for the grant of loans to shipping

companies fulfilling the criteria laid down for classification as Indian Shipping Companies under the Act for acquisition and maintenance of ships. These loans can be given by the Shipping Development Fund Committee only on such terms and conditions as the Central Government may, from time to time, specify.

2.21. The role played by the Shipping Development Fund Committee in the development of Indian Shipping is to provide financial assistance to Indian Shipping companies for the acquisition of coastal and overseas tonnage and no distinction is made as between coastal and overseas shipping in the terms and conditions. During the period from 1963 to-date seven applications from five companies were considered for loans for acquiring coastal vessels and a total loan of Rs. 569.81 lakhs was sanctioned to those companies. A statement showing the loans facilities extended by the Shipping Development Fund Committee in respect of coastal tonnage during the last five years is given in Appendix I.

2.22. The important terms and conditions on which the loans are sanctioned are as follows:—

- (i) The quantum of loan will be maximum of 90 per cent of the price in the case of new vessels (95 per cent in the case of vessels built at Hindustan Shipyard Ltd., Visakhapatnam) and maximum of 75 per cent of the price in the case of second hand vessels.
- (ii) The period of amortisation of the loan will be maximum of 18 years in the case of loans for new vessels and 3/4ths of the residuary income-tax life of second hand vessels (full income-tax life being 20 years). An initial period of moratorium of two years will be admissible if asked for by the borrower companies (in the case of vessels built at H.S.L. the maximum period of amortisation is 19 years with a moratorium of 3 years).
- (iii) The loans shall carry a rate of interest of 8 per cent p.a. but if payments of interest and repayments are made by prescribed due dates, the companies need pay interest at 3 per cent per annum only.
- (iv) Security to the extent of 133 1/3 per cent of the loan amount should be made available to the Committee.
- (v) The borrower shipping companies should ensure that their debt equity ratio did not exceed 4.1 in cases where the paid up capital is Rs. 1 crore or less and a debt equity

ratio of 6:1 where the paid up capital is more than Rs. 1 crore.

- (vi) Where the loan to be sanctioned to a company is Rs. 1 crore or more, the Company, if it is Private Limited Company should convert itself into a Public Limited Company before the loan is actually sanctioned to it.
- (vii) It is one of the conditions for grant of loan that the Government Director should be appointed as a Director on the Board of Directors of the loanee Company.

2.23. In the course of evidence the representative of the Ministry was asked about assistance given to coastal shipping companies from the Shipping Development Fund. It was stated in evidence that the Ministry had asked the Government Directors on the Companies to review the financial working of the various companies and come up with concrete proposals as to whether any particular assistance was necessary. He added that the Shipping Development Fund Committee was there, but they did not get applications. The Committee could not *suo moto* ask particular companies to apply for grant of loans.

**2.24. The Committee note that the Shipping Development Fund Committee provides financial assistance to Indian Shipping Companies for the acquisition of coastal and overseas tonnage and no distinction is made as between the coastal and overseas shipping in the terms and conditions. They are, however, unhappy to note that, although the fund is there, no application has been received from coastal shipping companies for the grant of loans. The Committee would like the Government to examine the reasons for this poor response from the coastal shipping companies in regard to loan assistance from the Shipping Development Fund Committee and review the terms and conditions of loans to make them attractive.**

#### **E. Role of the Indian Coastal Conference**

2.25. As has been stated earlier upto 1950 a Tripartite Conference consisting of Scindias, British India Steam Navigation and Asiatic Steam was controlling the trade on the coasts of India, Burma, Ceylon, and Pakistan. In 1951, at the instance of the Government, the Indian Coastal Conference was formed to cater to the needs of the coastal trade and trades between India and Pakistan, India and Ceylon and India and Burma were taken out from the purview of the Coastal Conference. The Indian Coastal Conference was formed by an agreement to which originally there were 13 signatories. The British India Steam Navigation and Asiatic Steam which had very

close connection with coastal trade were allowed to remain as Associate Members. The Government of India reserved the coastal trade for the nationals of the country by Resolution dated 15th August, 1950. When reservation of the coastal trade was completely achieved in 1953, the BIN and the Asiatic withdrew from the Conference. There have been additions to the membership of the Conference as well as some resignations subsequently. As present there are 16 Members on the roll of the Conference.

2.26. The trade on the coast has been divided into 2 sectors i.e. (1) West Coast and (2) Wider Coast. Under the terms of the agreement, only small vessels below 3,500 DWT (10 per cent more or less) can ply on the West Coast between Kandla and Tuticorin. The Wider Coast covers the trade for the entire coast from Kandla to Calcutta where big vessels of 4,500 DWT and over can ply. The big vessels can lift cargo between six specified ports on the West Coast under certain conditions laid down in the Agreement.

2.27. The Conference arranges tonnage of coal from Calcutta, salt from Saurashtra, timber from Andaman and other bulk cargoes. The Conference whenever necessary fixed quotas for Member Lines. The Conference fixes and/or revises freight rates on the coast, determines shipping practices to be followed on the coast and protects the common interests of its Member Lines.

2.28. The Conference elects its own Chairman and Vice-Chairman for unspecified period. The Scindia Company have been appointed as Secretaries under the Conference Agreement. The executive work is carried out by the Assistant Secretary with the help of a separate Secretariat which was established in 1952.

2.29. In reply to a question with regard to the relationship between the Government and the Indian Coastal Conference, the Ministry has stated "Government have recognised the Indian Coastal Conference as a representative Organisation of coastal shipowners and have accordingly been dealing with the Conference in matters relating to coastal trade. It may be mentioned in this connection that representatives of the Coastal Conference have been associated with the sub-committees of the National Shipping Board which have examined the problems of coastal shipping."

2.30. It has further been stated, "Although no specific machinery for co-ordinating between the Conference and the Government has been set up, the periodical meetings held by the D.G. Shipping with



coastal shipowners have provided a forum for consultation and discussion of problems on common interest to Government and shipowners."

2.31. Asked to state the existing arrangements to secure coordination between different companies in respect of timings, freight, etc., the representative of the Ministry of Transport stated in evidence that all these companies were members of the Coastal Conference. That was the coordinating authority on a voluntary basis. They looked after arrangements for the movement of cargo and the rationalisation of sailings. They had not taken up one very important thing and that was through booking and the pooling of freight. They were trying to do this now. If this was done, he felt, it would be possible for a person requiring movement from point A to point B, to send all his consignments through the Coastal Conference. In reply to a question, the representative of the Ministry stated that there was no unhealthy competition between the various companies as regards the fares and the carrying of cargoes. The freight would be regulated by Government.

**2.32. The Committee note that "No specific machinery for coordinating between the Conference and the Government has been set up." They feel that it is desirable to have a more intimate coordination between the Conference and the Governmental Organisations so as to cut down delays and for the quick understanding and solution of the problems that arise with regard to coastal shipping. They hope that apart from periodical meetings, the feasibility of introducing a suitable machinery for the purpose will be considered by Government.**

#### **F. Setting up of a Corporation Coastal Shipping Companies**

2.33. The Committee on Transport Policy and Co-ordination in their report (January, 1966) observed *inter alia*, "It is essential also to consider whether improved economies in capital cost and operational expenses will not be secured, if, in place of as many as 27 companies of varying sizes, many of them operating their small fleets in an indifferent manner round the coast, a scheme for unified control and operation cannot be evolved with the co-operation of the industry. This could take the form of a Corporation promoted by the Central Government to which the Central Government and the existing shipping companies might subscribe. The existing operators could then transfer their fleets to the Corporation and receive, in turn, shares equivalent to the current value of their contribution.

Adjustments could be made in respect of loans advanced by Government or by the Shipping Development Fund Committee. A single Corporation operating the coastal fleet will be in a position to secure fuller utilisation of the existing ships, provide regular services, improve operational efficiency, both directly and through improvement of facilities at the ports, and take steps to replace over-aged ships."

2.34. In the course of evidence this matter was put by the Committee to the representative of the Indian Coastal Conference and the Indian National Steamship Owners' Association. The representative stated, "I am not in favour of small companies. We have to accept them as members but.....every body has the right to trade as he likes". He added, "I strongly advocate rationalisation of shipping service and it is for the Conference to take up that question". He felt, however, that this matter needed to be examined thoroughly before any definite conclusions could be reached.

2.35. In the course of evidence the representative of the Ministry stated that the Director-General, Shipping tried out the possibility of two of the smaller companies being brought together but found that they were not willing. The whole thesis, he said, was on the basis that smaller companies were not working well and so they should go by the Board. The fact was that some of them were making profit while larger companies were making losses. He also stated that it was not necessarily a question of the size of the company so much as the route in which it plied which was the determining factor, besides the management.

2.36. The Committee wanted to know whether this allocation of the route could not be decided so as to effect economic utilisation of the vessels. The representative of the Ministry stated as follows:—

"Normally, the DG Shipping operates on the basis of the choice indicated by particular companies for particular routes. He does not himself force them into particular routes. What they want he considers and if it is economical, he gives licence. The question is, having regard to the fact that already there is a voluntary arrangement and Government have adequate powers under the Merchant Shipping Act, should Government go further and think in terms of what you might call a corporation jointly owned by both the private and public sectors? We have to consider it carefully in terms of the Fourth Plan. I will not be in a position to say now whether there is

any special merit in it. But we are examining this in the working group when disposing of the recommendations of the Committee."

2.37. The representative of the Ministry added that the matter would have to be examined carefully. It had also to go to the Cabinet. He felt there might be economies in management but there might be disadvantages owing to large size of the proposed Corporation.

2.38. The Committee are of the view that a long range examination should be made to find out how best to secure for the coastal fleet fuller utilisation of ships, provision of regular service, improvement in operational efficiency, and also economies in capital cost and operational expenses. They hope the Government will give this matter full consideration in consultation with the Indian Coastal Conference and secure the largest measure of agreement in coming to a final decision in the matter of setting up of a Corporation of Coastal Shipping Companies or any other suitable organisation.

## CHAPTER III

### TONNAGE

#### A. Coastal Fleet

3.1. The Committee have been informed that the total tonnage on the Indian Coast which consisted of 48 vessels amounting to 1.19 lakh GRT on the 15th August, 1947 went on increasing till it reached a peak in 1964 with 114 vessels of 4.12 lakh GRT, but there has since been a sharp decline. In fact, during the last three years not a single vessel has been added to the fleet except 4 colliers in the public sector. The tonnage on the coast as on 31st December, 1967 was only 3.11 lakh GRT comprising 85 vessels. However, there was a slight rise next year as the tonnage on the coast as on 29th February, 1968 was 3.42 lakh GRT comprising 90 vessels.

3.2. The distribution of the coastal tonnage between the different categories of traffic as on 31st December, 1967 is indicated below:

| Category                                  | No. of Vessels | GRT (000)    |
|---|----------------|--------------|
| I   | 2              | 3            |
| Dry Cargo vessels                         | 65             | 231.7        |
| Mainland/Andaman service                  | 6              | 20.9         |
| Passenger-cum-cargo vessels on West Coast | 7              | 15.7         |
| Ferry for Laccadive/Minicoy Islands       | 1              | 0.2          |
| Indo-Ceylon ferry                         | 2*             | 2.0          |
| Tankers                                   | 4              | 40.1         |
|   | <u>85</u>      | <u>310.6</u> |

\*This includes s.s. Goschen which has been immobilised.

(i) Age of Vessels

3.3. A statement indicating age-wise analysis of Indian coastal fleet as on 29.2.1968 is given below:—

*Age-wise Analysis of Indian Tonnage as on 29-2-1968.*

|                                    | Vessels under 5 years (1963 and onwards). |        | Vessels of 5 to 9 years (1958-1962) |        | Vessels of 10 to 14 years (1953-1957) |        | Vessels of 15 to 19 years 1948-1952 |          | Vessels of 20 years and above (1947 and earlier) |        |
|------------------------------------|---|--------|-------------------------------------|--------|---------------------------------------|--------|-------------------------------------|----------|--|--------|
|                                    | No.                                       | GRT    | No.                                 | GRT    | No.                                   | GRT    | No.                                 | GRT      | No.  | GRT    |
| (a) Dry Cargo                      | 4   | 42,293 | 5                                   | 9,208  | 19                                    | 73,461 | 20                                  | 52,848   | 22   | 74,595 |
| (b) Passenger/Passenger-cum-Cargo. | 5   | 7,651  |                                     |        | 1                                     | 5,934  | 7                                   | 21,612   | 2  | 1,940  |
| (c) Tankers                        | 1   | 12,691 | 1                                   | 8,193  | ..                                    | ..     | 3                                   | 31,893   | ..   | ..     |
| TOTAL                              | 10  | 62,635 | 6                                   | 17,401 | 20                                    | 79,395 | 30                                  | 1,06,353 | 24   | 76,535 |

Coastal :

3.4. An analysis of the dry cargo fleet as on 31st December, 1967 based on the size and age of vessels indicates that out of the 65 vessels on the coast 27 were of a size below 2,000 GRT and 11 were in the range between 2,000 and 3,500 GRT. Altogether they constitute 58 per cent of the total number of dry cargo vessels on the coast.

3.5. 27 out of 65 vessels were over 20 years old and hence due for replacement. In another three years another 12 vessels would cross the 20 years mark. Thus, by 1971 half the vessels of the present coastal cargo fleet would have been either withdrawn from traffic or shall be overdue for replacement. Within the next three years more than half of the existing ships and 44 per cent of the tonnage (GRT) would be due for replacement.

3.6. The Committee have been informed further that while the average age of an Indian ship engaged in the international run is only about 8 years, the average age of Coastal Dry Cargo Vessel as on 31st December, 1967 was more than double, being about 16.5 years. As the economic life of a vessel is generally considered to be 20 years by international standards, the existing coastal fleet is thus predominantly obsolete.

(ii) *Targets of tonnage*

3.7. The Committee have been informed that in the report of the Third Sub-Committee of the National Shipping Board submitted in 1965, a target of 4 lakh GRT for coastal shipping was recommended. This target was accepted by the Ministry of Transport and Shipping and also the Planning Commission and the draft outline of the earlier Fourth Plan which was published in 1966 indicated this target. However, these recommendations have since become out of date in view of the latest report (1968) submitted by the Study Group of the National Shipping Board which recommended a target of 4.5 lakh GRT.

3.8. The Study Group of the National Shipping Board has *inter alia* observed as follows:—

“It can be reasonably accepted that if adequate shipping tonnage can be made available on the coast during the next three years, it should be possible for Coastal Shipping Industry to secure by 1971 at least the level of general cargo traffic reached in 1964. If enhanced industrial activity in the country generates larger demand for coastal shipping, then the tonnage requirements would have to

be revised upwards to the extent necessary. Over 35,000 tons increase in Calcutta General Cargo traffic from the West Coast would need about 9,600 GRT of additional shipping. Matching quantities of additional coal traffic would also be required to the extent necessary."

Regarding proposals for increasing the tonnage of the coastal fleet during the Fourth Five Year Plan Period, the Ministry have stated that the recommendation made by them is that the coastal shipping tonnage which at present stands at 3.25 lakh GRT, should be raised to 4.50 lakh GRT by the end of the Fourth Plan period. Besides the addition of 1.25 lakh GRT, another 1.28 lakh GRT would have to be acquired in replacement of old and obsolete ships. Thus, the total tonnage to be acquired during the Fourth Plan, in order to reach the target of 4.50 lakh GRT would be 2.53 lakh GRT. The Ministry have sent their recommendations to the Planning Commission recently and no decision has so far been taken in the matter by the Planning Commission.

3.9. The Committee have further been informed in a note that the report of the Study Group on Coastal Shipping was considered by the National Shipping Board at its meeting held on the 17th August, 1968. The report was adopted by the Board, subject to one modification that in the place of 23 colliers of 14,000 DWT each proposed to be acquired for the coastal trade as recommended by the Study Group, it would suffice if 18 vessels are required. This modification was considered necessary because the Board felt that when Haldia Port was commissioned, vessels were likely to receive quicker turnround and the total number of vessels required for the coastal trade would be less than what had been estimated by the Study Group. The Board also felt that the position might be reviewed after about 2 years.

3.10. In the course of evidence, the representative of the Ministry of Transport has stated: "Our programme even today is about 5 lakh tons GRT per year. Even last year the orders for new acquisition which were placed come to about 5 lakh tons." As regards finance for acquisition of the vessels, he has stated that "initially 15 per cent of the amount had to be paid and the balance had to be spread over 8 years."

### (iii) *Foreign Exchange Requirements*

3.11. It has been represented to the Committee by the Indian Coastal Conference that "no foreign exchange is made available for replacement of old coastal fleet or acquisition of additional tonnage for cost. Ships are available from certain rupee payment countries but the cost is about 30 to 40 per cent higher because of deferred payment basis. Again, it becomes extremely difficult for

ship owners to provide guarantee for the balance amount after the down payment of 15 per cent is made. It is, therefore, suggested that the Shipping Development Fund Committee should stand guarantee for the balance payment. The ship may be mortgaged to Shipping Development Fund Committee and additional security, if required, may also be asked for."

It has further been represented that "as regards acquisition of second-hand ships, permission should be given for acquiring ships, giving the ship owners freedom to select type and size of ships of suitable age. The ship owners are strongly of the opinion that it is in the best interest of the country if foreign exchange is made available freely to all those who wish to buy new or second-hand ships for plying on the coast."

3.12. Asked during evidence to state whether the private sector would be interested in investing a large amount in coastal ships, especially when freight was not available, the representative of the Ministry has stated:

"As the position stands today, no sector is interested in coastal shipping. But coastal sector is a very important sector. The sanction is there for us under the Indian Merchant Shipping Act. We can say that the conferences, which are interested in plying overseas, should ply part of tonnage through the coast also".

3.13. The Committee wanted to know why a shipping company which possessed an overseas fleet could not also operate coastal ships and utilise the allocation of foreign exchange both for coastal shipping as well as for overseas shipping.

In reply the representative of the Ministry has stated as under:

"When the applications come from private companies or from public sector, they are for the purchase of particular type of ships from particular countries. We don't say 'you buy this for coastal trade or for overseas trade.' The companies themselves give us the reasons. They say 'We have analysed the economics of particular vessel and we want to operate this particular route; we want to place the order with a particular country for this type of ship'. They know which line is economical for them."

He has further stated:

"There is no discrimination (between overseas shipping and coastal shipping). Scindias are operating on the coast;



the Shipping Corporation is operating on the coast.....  
 Once we decide that we should have a coastal fleet of a particular size and also on the type of ships to be purchased, we will consider the applications of shipping companies for coastal trade and possibly apply a slightly different pattern of financing. It cannot be the same for overseas trade. This does not earn foreign exchange.....  
 Once the programme is settled, it will be treated on par. We will try to get as much as possible from rupee countries. But we will have to adopt a different pattern of financing if we are to acquire from other sources."

3.14. It has been stated by the Ministry that the Coastal Ship owners cannot go in for additional tonnage mainly on account of the fact that acquisition of ships on deferred payment terms which is at present permitted by Government is not suitable in the case of coastal ships as they do not earn foreign exchange except to a limited extent in adjacent trades. The indigenous ship building capacity is also at present fully utilised and no spare capacity is available for construction of coastal vessels. According to the Ministry the alternatives, therefore, are (a) release of free foreign exchange (b) purchase from countries like Yugoslavia, Poland etc. which may be in a position to offer ships on rupee payment basis and (c) encouraging the shipowners to go in for package deals covering both coastal and overseas vessels, their total price being met from the foreign exchange earnings of the overseas vessels on deferred payment basis.

3.15. During evidence the representative of the Ministry has stated that cargo availability, resources availability, both rupee and foreign exchange, and port facilities were the three things that were very important for the development of coastal fleet on a long term basis. The sub-committee of the National Shipping Board calculated that a sum of Rs. 70 crores would be required for the purchase of ships, out of which the foreign exchange component could be about Rs. 6.2 crores. He has further stated: "In regard to coastal shipping, we are hoping to persuade the Finance Ministry to give us the foreign exchange provided the rupee countries are not able to meet our requirements adequately. Alternatively, if the shipowners themselves are able to arrange foreign exchange against rupee deposits, because they are all ocean-going ones, we hope to be able to have a programme subject to the approval of the Planning Commission and in terms of that we should be able to achieve a target of 4.5 lakhs GRT which included rehabilitation over a period of 10 to 12 years."

3.16. It has also been brought to the notice of the Committee that the Minister of State for Transport and Shipping declared in a statement in the Raya Sabha on the 11th December, 1968 in reply to a question that the "expansion programme (of the shipping industry) will not be allowed to suffer" on account of the difficulty in releasing free foreign exchange for down payment in all cases of acquisition of ships. An agreement in principle had been reached, he said, for the supply of 10 coastal colliers by Rumania but the details regarding the price, specifications, terms of payments, were still to be finalised.

(iv) *Movement of oil products*

3.17. A Sub-Committee of the National Shipping Board was appointed to go into the question of acquisition of additional tankers for the coastal and overseas trade. The Sub-Committee in their Report (1967) has noted that so far as the coastal trade was concerned, the volume of oil products moving on the coast had been in the region of 28 to 30 lakh tonnes per annum during the period 1963—66 but the share of the Indian shipping during 1966 amounted to only 21.7 per cent. At that time 4 Indian tankers were plying under charter to the various oil companies. The Sub-Committee recommended, however, that in order to save foreign exchange expenditure incurred on the employment of foreign tankers on the coast and also to implement the policy of coastal reservation it was necessary that adequate tanker tonnage should be acquired for the coast for the transport of the entire volume of oil products moving on the coast. The latest assessment of the erstwhile Ministry of Petroleum and Chemicals was that the volume of oil products moving on the coast would go down to only 12 lakh tons by the end of the Fourth Plan period. That Ministry also brought to the notice of the Sub-Committee that there was at present demand from the I.O.C. for additional tanker tonnage for the coastal movement of the products of the Cochin Refinery which they were able to meet only by chartering tankers. In particular, there was urgent need for a tanker of about 57,000 DWT for the movement of oil products from Bombay to Okha to meet the increasing demand for such products from the Chemical Industries at Okha. The Sub-Committee was also of the view that even when the movement of oil products declined to the level of 12 lakh tons there may be room for the employment of at least 6 tankers, i.e., there was need for the acquisition of two more tankers. The Sub-Committee recommended that 3 additional tankers, two of about 15/16,000 DWT and one of about 5/7,000 DWT should be acquired for the coastal trade.

3.18. The Committee need hardly emphasise the imperative necessity of maintaining adequate tonnage not only for the purpose of regular movement of cargo like coal, salt, cement, foodgrains, etc. along the coast but also for the defence of the country with a coast line extending over 3,000 miles. The coastal fleet is a second line of defence during emergencies like war, floods, famine, etc. Besides the requirements of tonnage for the movement of cargo from coast to coast, there is also a pressing need for providing adequate tonnage for movement of coal to Colombo and rice from Burma besides seasonal movement of commodities to adjacent countries.

3.19. The Committee consider it unfortunate that during the last so many years, the Government have not shown the necessary interest in developing coastal shipping in India as it should have done. Several Sub-Committees of the National Shipping Board and other Committees and Study Groups appointed from time to time have repeatedly stressed the importance of maintaining coastal tonnage at an adequate level but very little has been done to implement the recommendations made year after year in this behalf. The Committee feel that unless prompt and effective steps are taken for the rehabilitation of the coastal fleet, the situation may become serious imperilling the economic and other interests of the country.

3.20. The Committee would urge that a thorough examination of the recommendations made by the Study Group which submitted their report in April, 1968, as also other important recommendations made in the past by Sub-Committees of the National Shipping Board should be made and expeditious action taken to implement them.

3.21. In order to improve the position and to achieve the target of tonnage set down, it is necessary not only to replace the old and over-aged ships at present plying on the coastal trade but also to augment the tonnage by acquiring new ships. The Committee are glad that efforts are now being made by Government for acquiring ships from abroad by giving financial assistance. They feel assured by the statement of the Minister of Transport and Shipping in Parliament that the expansion programme of the shipping industry will not be allowed to suffer on account of the difficulty in releasing free foreign exchange for down payment in all cases of acquisition of ships. The Committee hope that Government will examine the pattern of financing purchase of vessels at the most economic price wherever available.

#### B. Perspective Planning

3.22. The Committee pointed out to the representatives of the Ministry of Transport in the course of evidence that there was a

need for taking a larger perspective with regard to coastal shipping after taking into account the overall picture of how the country has developed or is developing. The Committee desired to know further whether the development of atomic energy, increasing use of cheaper fuel like diesel oil, had been taken into account in making the plans. The representatives of the Ministry of Transport has stated in evidence:—

“This has been gone into by the Ministries concerned. They have gone into it not only for the Fourth Five Year Plan but for five years ahead of it. As you have already pointed out, the Planning Commission itself is going to consider this.”

3.23. In a written note, however, in reply to the question whether any perspective plan has been drawn up by the Planning Commission for the development of Coastal Shipping, keeping in view, the development of atomic energy as fuel as also increased use of diesel and electrification, the Ministry have stated:

“No such perspective plan has so far been drawn up by the Planning Commission.”

3.24. The Committee are surprised to learn that no perspective plan for the development of coastal shipping has been drawn up either by the Ministry of Shipping and Transport or by the Planning Commission. This is all the more regrettable in view of the fact that even in January, 1966, the Committee on Transport Policy and Co-ordination in their Report had clearly enunciated that:

“... the future role of coastal shipping has to be considered in relation to its overall national and strategic importance. Coastal Shipping has a certain basic importance for a country like India with its geographical position and its long coast-line. In times of emergency, coastal shipping may have a special role in national defence and economic strategy.”

That Committee observed further:

“While these aspects deserve to be given weight in considering the future development of coastal shipping, an essential determinant of the place of coastal shipping as part of an integrated transport network in the country is its comparative economics in relation to other modes of transport.”

In these circumstances, the Committee cannot over-emphasise the importance of having a perspective plan for the development of

**coastal shipping taking a broader view of the entire picture in the country and the lines on which it will develop in coming years.**

### **C. Repair of Ships**

3.25 It has been represented to the Committee that the ship repairs industry "is at present in a woeful state. This is due to the lack of adequate facilities for repairs at major ports in the country. There are no special berths ear-marked for repairs either at Bombay or Calcutta where most of the repair shops are presently located. Ordinary berths are made available for this purpose when they are free from cargo working. The ship repair industry in India further suffers from lack of necessary spares and repair materials which are required to be imported from abroad and import licences and foreign exchange are not made available as needed. As a cumulative effect of this the time taken for repairs in India is inordinately long and cost of repairs prohibitive."

3.26 The Ship Repairs Committee made the following observation in para 11.51 of their Report (1959) which is pertinent to the point raised:

"It is apparent from the information given to us that, both in Calcutta and Bombay, the larger dry docks are used to a considerable extent by port craft. There is also a feeling that in the matter of allotment of dry docks, there is a tendency to show preference to the vessels of the port authorities."

3.27 It has been represented to the Committee that Shipowners are in full agreement with the important recommendations of the Ship Repair Committee, which should be implemented by Government at an early date. It has been stated: "Shipowners have brought their difficulties in regard to their ship repairs to the notice of the Government and port authorities many a time in the past and have discussed these problems at various meetings of the All India Council for Ship-Building and Ship Repairs, the National Harbour Board, the National Shipping Board, etc. Although various plans are devised to provide necessary facilities at the ports they all appear to be long term plans and the difficulties of the ship-owners continue to persist".

3.28 In the course of evidence, the representative of the Ministry of Transport has stated that 20 per cent of the import entitlement could be availed of by the ship repairers on the basis of payment received on foreign exchange. A suggestion had been made that

established ship repairers should be allowed to import components free of customs duty but this had not been found to be feasible. He has further stated that the import content of ship-building has been brought down from as many as 120 items to 30. In terms of value imported items would be about one-third.

3.29 Asked to state the facilities provided at the ports for storing of spare parts, the representative of the Ministry has stated that major ports have developed repair facilities only for their own craft and it is only the excess capacity available which is given to other ships. Government have decided that apart from Bombay and Calcutta, "we should develop dry docking facilities at least in selected ports."

3.30. The Committee wanted to know whether the Ministry could not get some spare parts and store them so that the shippers could avail of them in times of need. The representative of the Ministry has replied as under:

"So far as Garden Reach and Mazagaon docks are concerned, they are keeping some of these spare parts in bonds. But the basic problem is the availability of foreign exchange. We find it very difficult to get foreign exchange for procuring spare parts and stocking them. So, we have to plan with what is available."

He has further stated:

"There is one suggestion that these items should be imported, apart from the stores in bond which already exists. The question of giving exemption to goods in bond from excise duty has been examined and we have taken up this matter with the Ministry of Finance to facilitate the flow of spare parts and to remove whatever impediments are there now, if possible."

3.31 The representative of the Ministry of Transport and Shipping has stated that for coastal shipping, the D.G. Shipping has an allocation of Rs. 10 lakhs of foreign exchange a year, which he allocates to shipping companies for getting their vessels repaired. This allocation is made by the Ministry of Commerce for the import of spare parts. A limit of Rs. 4000 per ship-owner per year has been prescribed. By and large, there is no complaint from ship-owners. Shipping companies have to go to Mazagon Docks and Garden Reach for repairs.

3.32 In a written note submitted subsequently, the Ministry have stated that "no specific assistance is being rendered by the Government for ship repair facilities to Indian Coastal Shipping." It has been added, however, that in order to improve the dry docking facilities, the Government have already approved the construction of a dry dock at Hindustan Shipyard Ltd., Visakhapatnam. This big dry dock will be capable of taking ships upto 57,000 DWT. The work on the dry dock started last year and is expected to be completed according to schedule by March, 1970. In the proposed second shipyard at Cochin, there will be a big dry dock capable of taking ships upto 85,000 DWT. It has been stated that a revised project report for the Cochin Shipyard is now under preparation by M/s. Mitsubishi Heavy Industries Limited, Japan. After the revised project report has been approved and the contract entered into with the said firm for technical collaboration in the project, the work on the construction of the Shipyard will start.

3.33 The Committee have been informed that the question of assistance to be rendered for meeting ship repair facilities has been under consideration of Government. The ship repair firms who were addressed in the matter by Government to submit their proposals for modernisation/re-organisation have not responded so far. The matter is still under consideration of the Government.

3.34 Asked to state whether it was a fact that instead of placing orders on Scindia's workshops which deserved encouragement, cargo winches had been imported on the ground that Scindia's products were expensive, and whether it was not the declared policy of Government to encourage domestic production, the representative of the Ministry has stated in evidence as under:

"The normal policy of Government is to encourage domestic production, even though at a higher price. In international tendering, we give price preference upto 15 to 20% to local people. This might be a special thing. If you like I will have it examined. In the case of special orders, this might happen. Here, the winches might have been required urgently and the time factor was probably against the delivery schedule indicated by indigenous firms".

3.35 As regards import of spare parts, the Ministry has stated in a written note that no import is allowed of spares which are available indigenously. The question of the development of ancillary

industries to subserve ship building and ship repairing industries has been engaging the attention of the Government for some time past. It has been stated that a committee, known as Ship Ancillary Industries Committee was set up in 1957 to advise Government on the steps to be taken to encourage the indigenous production of ship ancillaries. In addition to this Committee, a Central Advisory Council for Ship Building and Ship Repairing was set up early in 1964 to advise Government on all matters relating to ship building and ship repairing industries including their development.

3.36 The Ship Ancillary Industries Committee submitted to the Government of India two Reports. Many of the recommendations made by the Committee have been implemented by Government. One of the important recommendations of the Committee was to set up a development cell by the three public sector shipyards, i.e. Hindustan Shipyard, Garden Reach Workshop and Mazagon Dock Ltd. The Cell has since started functioning at Calcutta. It has been stated that the Cell will codify and categorise the various items of marine equipment, lay down priorities for their indigenous production and provide detailed technical data, drawings and specifications to the prospective manufacturers.

3.37. It has been further stated by the Ministry that the National Conference on Shipping, Ship-building and Ports held in New Delhi in December, 1967, took note of the work done by the SAIC for promoting the development of ship-building, ship-repairs and marine ancillary industries. The Conference felt that in view of the fact that the problems faced by the ship-building and ship-repair industries were becoming increasingly complex from the point of view of procurement of raw materials and equipment, assignment of requisite priorities for the requirements of Ship-building and ship-repairs, co-ordination among the Governmental and other agencies, it was necessary that a Standing Committee be set up in place of the existing committee to formulate and recommend measures to overcome the difficulties. The Government accepted this recommendation and have set up the Standing Committee for Ship-building, Ship-repairs and Ship-ancillaries. The functions of this Committee are to advise the Central Government on:—

1. all matters relating to ship-building, ship-repairing and ship-ancillary industries including their development;
2. such other matters as the Central Government may refer to the Committee for advice from time to time.



3.38. The Committee have also been informed that recommenda-  
corin, Okha and Bedibunder are concerned. It has, however, not  
ing facilities at certain ports have been implemented insofar as Tutu-  
corin, Okha and Bedibunder are concerned. It has, however, not  
been possible to implement the recommendations relating to Manda-  
pam, Bhavnagar and Veraval.

3.39. The Committee regret to note that, as admitted by the Min-  
istry, "no specific assistance is being rendered by the Government  
for ship repair facilities to Indian Coastal Shipping." Moreover, the  
major ports have developed ship repair facilities only for their own  
craft and it is only the excess capacity available which is given to  
other ships. It is unfortunate that the ship repair firms, which were  
addressed by the Government to submit their proposals for modern-  
isation and reorganisation, have not responded so far and the matter  
is still under consideration of the Government. The Committee  
would like the Government to make serious efforts to finalise these  
matters at an early date in consultation with the authorities con-  
cerned so that the urgent need of developing ship repair facilities is  
met at the earliest possible time. It should be appreciated that the  
longer the time taken to repair vessels, the greater would be the  
losses and difficulties.

3.40. With regard to the question of giving exemption to goods  
(spare parts) in bond from excise duty, the Committee desire that  
in order to facilitate the flow of spare parts and to remove whatever  
impediments there are now, the Ministry of Shipping and Transport  
should follow up the matter with the Ministries of Industrial Deve-  
lopment, Internal Trade and Company Affairs and Finance expedi-  
tiously. The Committee would like to be informed in due course  
about the progress made in the matter.

3.41. As regards encouragement to indigenous industry, the Com-  
mittee are glad to note that no import is allowed to spares which are  
available indigenously. The Committee suggest, however, that the  
normal policy of the Government to encourage domestic production,  
even though at a higher price and the giving of price preference to  
local manufacturers, should be continued in order to encourage  
Indian firms to manufacture products needed for ship-repairing in-  
dustry.

3.42. The Committee are glad to note that a Cell has started  
functioning in Calcutta which will codify and categorise the various  
items of marine equipment, lay down priorities for their indigenous

production and provide detailed technical data, drawings and specifications to the prospective manufacturers. The Committee hope, after studying the working of this Cell for some time, the necessity and feasibility of setting up similar cells in other places will be examined.

3.43. The Committee are glad to note that the Government have set up the Standing Committee for Ship-building, Ship-repairs and Ship-ancillaries. They hope that assistance of this body will be sought whenever necessary and it will be ensured that matters, referred to it, are not unduly delayed.

3.44. The Committee hope that the Government will take all necessary steps to avoid complaints regarding inordinate delay in the repairs of ships in India and take concerted measures to bring down the cost of ship repairs. In order to keep the coastal fleet which has already dwindled to a great extent, at a proper level of tonnage, the need for an efficient ship repairs structure covering all the major and eventually the minor ports in India cannot be over-emphasised.

## CHAPTER IV

### CARGO

#### A. Principal Commodities Carried

4.1. The principal commodities which are carried by coastal shipping are coal, salt, foodgrains, cement, cotton, cotton piecegoods, hessian, tea, coir, copra, iron and steel and miscellaneous cargo.

4.2. **Coal:** Coal is shipped from Calcutta to coastal ports on account of Railways and also certain industries. It is also shipped to Ceylon and Burma under contracts which the M.M.T.C. have concluded with those countries.

Coastal shipowners are required every month to offer their vessels available for the movement of coal to the Directorate General of Shipping and also to the Coal Controller at Calcutta. On the basis of these offers and on the basis of the requirements of coal for the Railways, various industries and the M.M.T.C., a forward Coal Shipment Programme for each month is drawn up at an inter-departmental meeting held by the Directorate General of Shipping with the representatives of shipowners, Railways, the Coal Controller and the M.M.T.C. The Director General also maintains a watch on the performance of colliers, and in the event of any undue detention of ships at ports due to non-availability of berths or want of loading or unloading facilities, he gets into touch with the authorities concerned in order to specify the position.

4.3. **Salt:** The colliers which are sent to Saurashtra ports or Tuticorin are usually utilised for back loading salt to Calcutta. If, however, any difficulty arises in regard to the movement of salt, the Director General of Shipping uses his good offices to ensure that this commodity is carried on a priority basis on the return voyages of colliers.

4.4. **Timber:** The movement of timber is mostly from Andamans to Calcutta and Madras. The Directorate General of Shipping arranges the provision of necessary shipping space on receipt from the Andamans authorities of their requirements of such space.

4.5. **Gunnies:** This is another essential commodity which is required to be moved from Calcutta to other coastal ports, largely on

Government account, for packing imported food grains. The Directorate General of Supplies and Disposals, Calcutta, purchases gunnies and arranges for their shipment on behalf of the Ministry of Food. In order to assist the D.G.S. & D. in finding the necessary shipping space the Directorate General Shipping has set up a Committee at Calcutta, consisting of representatives of the shipowners concerned with the movement of gunnies. This Committee keeps in touch with the D.G.S. & D. and coordinates the shipping arrangements. In the event of any difficulty arising the D.G.S. & D. brings it to the notice of the Directorate General of Shipping for appropriate action.

4.6. **Oil:** In addition there is movement of oil cargo also which is of the order of about 29 lakh tonnes.

### B. Pattern of Dry Cargo traffic

4.7. The dry cargo traffic on the coast can be divided into four distinctive ranges indicated below. The first three ranges are cumulatively termed wider coast trade as distinct from west coast trade:

- (i) Traffic on the east coast between Calcutta and north of Tuticorin.
- (ii) Traffic between Calcutta and Tuticorin/Cochin.
- (iii) Traffic between Calcutta and west coast—north of Cochin up to Gujarat.
- (iv) Traffic on the west coast.

4.8. The main flow of general cargo is from ports on the west or on the south-east coast to Calcutta. In the reverse direction the cargo movement, other than coal, is comparatively small and has to be supplemented by coal to provide balanced traffic.

4.9. The following table gives the year-wise movement of coastal traffic from the year 1951 to the year 1957:

#### *Coastal trade of India (Dry Cargo)*

(Figures in Lakh Tonnes)

| Year | Coal  | Salt | General Cargo | Total |
|------|-------|------|---------------|-------|
| 1951 | 7.70  | 4.54 | 12.90         | 25.15 |
| 1952 | 10.89 | 4.71 | 12.19         | 27.79 |

| Year | Coal  | Salt | General Cargo | Total |
|------|-------|------|---------------|-------|
| 1953 | 12.63 | 4.18 | 11.97         | 28.78 |
| 1954 | 12.28 | 4.79 | 11.98         | 29.05 |
| 1955 | 10.64 | 4.71 | 11.69         | 27.04 |
| 1956 | 10.97 | 4.78 | 10.17         | 25.92 |
| 1957 | 10.51 | 4.80 | 10.46         | 25.77 |
| 1958 | 10.86 | 3.93 | 11.87         | 26.66 |
| 1959 | 10.16 | 3.99 | 11.42         | 25.57 |
| 1960 | 11.03 | 4.17 | 12.25         | 27.45 |
| 1961 | 13.73 | 4.73 | 15.03         | 33.49 |
| 1962 | 19.80 | 4.58 | 16.39         | 40.77 |
| 1963 | 18.93 | 4.76 | 16.58         | 40.29 |
| 1964 | 15.65 | 4.53 | 15.96         | 36.14 |
| 1965 | 12.22 | 4.03 | 19.22         | 32.47 |
| 1966 | 7.02  | 3.23 | 14.99         | 25.24 |
| 1967 | 6.77  | 2.90 | 13.50         | 23.17 |

Note: The figures do not include the cargo carried by Sailing vessels.

From the table it would be clear that coastal dry cargo traffic increased from 25.15 lakh tonnes in 1951 to a peak of 40.77 lakh tonnes in 1962. But there has been a distinct and appreciable downward trend since 1964 and the provisional figure for 1967 is only 23.17 lakh tonnes.

4.10. As regards coal traffic, the sharp increase in 1962-63 in the total volume of dry cargo moved was on account of a large increase in coal shipments. In 1962 the quantity jumped to 19.80 lakh tonnes from 13.73 lakh tonnes in the previous year. However, by 1966 coal movement had gone down to only 7.0 lakh tonnes.

4.11. Salt traffic remained more or less constant at about 4 to 4.8 lakh tonnes throughout the period under review upto 1965. But in

1966 it declined to 3.23 lakh tonnes and is estimated to have gone down further to only 2.9 lakhs tonnes in 1967. The decline in the salt traffic has been attributed to:

- (i) decline in the number of colliers programmed for Saurashtra ports which could be utilised for back-loading salt to Calcutta. Since 1964-65, Railways had curtailed their requirement of Sea-borne coal to be carried to Saurashtra ports till very recently when they increased it again to about 25,000 tonnes per month.
- (ii) the gradual depletion of coastal tonnage resulting in shortage of shipping for movement of essential commodities including salt from Saurashtra ports and Tuticorin to Calcutta. The coastal fleet which stood at 4.12 lakhs GRT in December, 1964 declined to about 3.10 lakhs GRT in December, 1967.

4.12. General cargo traffic other than salt was fairly stabilised between about 10 and 12 lakh tonnes from 1951 to 1960. It is increased to 15 lakh tonnes in 1961 and from 1962 to 1965 remained at or about 16 lakh tonnes mark. In subsequent years, the traffic has declined. It amounted to 15.0 lakh tonnes in 1966 and is provisionally placed at 13.5 lakh tonnes only in 1967. Though part of this decline may be ascribed to temporary recession in the Indian economy, the main reason for the decline in cargo traffic may be attributed to shortage of coastal fleet. In fact, several representations have been made about this inadequacy in relation to the traffic available.

### C. Coal Traffic

4.13. Since coal is the most important single commodity in the coastal traffic—in fact it is kingpin in the cargo movement round the coast—it is necessary to deal with the question of coal movement *in extenso*.

Coal, in terms of volume, is far ahead of any other commodity where coastal shipping is concerned. It has been emphasised that coastal shipping can be completely thrown out of gear if there are wide variations in the anticipated level of coal traffic. According to the reports of the National Shipping Board (including those of its Sub-Committee and Study Groups) such variations have been rather frequent.

4.14. In the Report of the National Shipping Board relating to the shipping target for the Third Five Year Plan (1959) it has been stated:

“The most important commodity in the coastal trade is coal. It forms, on an average, about 40 per cent of the coastal cargo and has been the mainstay of the coastal trade for many years. The bulk of the coal which moves by sea is on account of the Railways but their requirement of ships for moving this cargo has varied from time to time as will be observed from the following statement:

| Year | Average No. of colliers that sailed from Calcutta per month carrying loco coal. |
|------|---|
| 1949 | 18.5  |
| 1950 | 14  |
| 1951 | 10.5  |
| 1952 | 12  |
| 1953 | 14  |
| 1954 | 13  |
| 1955 | 13.54   |
| 1956 | 12  |
| 1957 | 10.2  |
| 1958 | 12  |

As the policy followed by the Railways in regard to the volume of coal to be moved by sea has not been uniform or consistent, it has become difficult for the shipping companies to plan their coastal expansion programme on a national basis. Obviously, it would not be possible for the shipping companies to acquire additional ships at short notice to meet the occasional increased demand for colliers made by Railways. Equally they would find it difficult to provide alternative employment for their ships when the Railways suddenly curtail their requirements of colliers. Ships suitable for the carriage of bulk cargoes like coal have only limited scope for alternative employment either in the coastal or overseas trades. The replacement and maintenance cost of such ships are already very high and shipowners can ill-afford to lay them up for want of employment because it would cost them over Rs. 50,000 per day on account of standing charges alone.”

4.15. In 1963 the Sub-Committee of the National Shipping Board in their report, while recommending increased target of 4 lakhs GRT, reiterated the necessity for laying down a firm long term policy for the movement of adequate volume of coal by sea.

4.16. The Sub-Committee of the National Shipping Board in their report (1965) took note of the decision of the Railways in (1964) to reduce the volume of loco coal to be moved by sea and observed as under:

“It is however unfortunate that at this stage, the Railways have decided to reduce the volume of coal to be moved by sea. As the volume of coal movement was expected to remain at the level of 2 million tonnes per annum on a long term basis, the loading and unloading facilities at the ports had been geared up and the capacity of the ports was being fully utilised for the movement of coal. For example, the mechanical coal loading berth and 5 other manual coal berths at Calcutta and the mechanical unloading berth at Madras were being fully utilised. In order to co-ordinate the arrangements for the movement of coal according to the programme, Coal Co-ordination Committees were constituted at Calcutta, Madras and Bombay consisting of representatives of the Railways, port authorities, Coal Controller, shipowners and other interests concerned.”

4.17. The Sub-Committee estimated the volume of coal to be moved by sea during the Fourth Plan at 7.5 lakhs tonnes per annum. This estimate was on the assumption that the industrial requirements of coal would also go up to 5 lakh tonnes per annum and the Railways would be persuaded to use sea-borne route to meet their diminished needs in the far South from 1968-69.

4.18. More recently, the Study Group on Coastal Shipping of the National Shipping Board in their report (April 1968) has made the following observations:

“It has been already emphasised that a minimum annual traffic of 7.50 lakh tonnes of coal has to be assumed to prove balanced cargoes for the coastal fleet. This quantity must be assured on a long term basis despite fluctuations in the railborne traffic of coal and despite creation of additional carrying capacity on the railways.

There are three strong reasons for making this recommendation. First, about 7.5 lakh tonnes of coal per year is but a small quantity compared to the overall north-south



flow of freight traffic on the Railways. But for coastal shipping this quantity is equivalent to almost 25 per cent. of the overall projected cargo level.

Second, while the increase in capacity in the Railway system can be used for traffic other than coal (specially at the margin) no such alternative is available to the coastal shipping industry.

Third, despite wide fluctuations in coal offered for coastal shipping by the Ministry of Railways even in the past a minimum of about 7 lakh tonnes per year has been always offered by the Railways for shipment by the rail-cum-sea route. It should, therefore, present no difficulty to the railways to provide this traffic as a regular measure for the coastal shipping industry. In fact, the current indication is about a million tonnes.

The Study Group is of the view that it may be desirable for the Ministry of Railways to permanently allot some quantity of coal for coastal shipping over and above the minimum requirement of 7.5 lakh tonnes annually. Such a policy decision would make available to the Railways room for flexibility in their own operations. This would also add more tonnage to the coastal fleet of 4.5 lakh tons, and thereby enhance its strategic value to the country."

4.19. In a written note furnished to the Committee the Ministry of Railways have stated that the decision to increase the movement of coal by rail-cum-sea route from 1 million tonnes to 2 million tonnes per annum to southern and western India both on account of Railways and the industry was taken by the Cabinet Committee in March, 1961. This decision was taken in view of the transport bottleneck on the Mughalsarai direction. The quotas fixed were 1.284 million tonnes for Railways and 0.716 million tonnes per annum on account of industry.

4.20. The Ministry of Railways have further stated in a written note that till July, 1964 Railways had been moving loco coal according to the above quota and the actual movement during the years 1961-62 to 1963-64 was as under:

---

(Million tonnes)

|         |       |       |
|---------|-------|-------|
| 1961-62 | ..... | 1.116 |
| 1962-63 | ..... | 1.397 |
| 1963-64 | ..... | 1.345 |

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4.21. While taking a decision for the movement of 2 million tonnes of coal by sea-route, the Cabinet Committee had also decided that as a long term measure in the Third Five Year Plan period, the coalfields outside the Bengal and Bihar area should be developed to the maximum extent possible, that coal for Western India should move by rail-route from Central India coalfields and Pench and Chanda and for Southern India from Singareni collieries as far as possible and only the remaining requirements being met by Bengal-Bihar coalfields, a portion of which was to be sent by the sea-route to ease the burden of railways who were then finding it difficult to move all the coal required *via* Moghalsarai and the east coast line. According to the Ministry of Railways this clearly indicates that the Cabinet Committee had in mind the possibility of reduction in the movement of coal by sea-route during the Third Plan and the ensuing Plans.

4.22. In a meeting held in the *room of Secretary* (Co-ordination) on 12th August 1964, one of the conclusions broadly agreed to was that consumers of coal should not be compelled to take coal by the rail-cum-sea route. This could be regarded as a general relaxation given in the target of 2 million tonnes. In view of this and also in view of easy transport capacity for movement of coal to Western Railway and also in view of increased availability of coal from outlying fields a decision was taken by the Railway Board in August, 1964 to reduce requirements of sea-borne coal account of Railways to 96,000 tonnes per month to Southern Railway only. Movement to Western Railway was completely stopped.

However, on a special request from the Ministry of Transport, the Ministry of Railways agreed to move one loco coal collier per month to Saurashtra Ports for some time.

A copy of the minutes of the Inter-Departmental meeting held on 12th August 1964 is given at Appendix II.

Copies of the correspondence exchanged between the Ministry of Transport and the Ministry of Railways (Railway Board) (U.O. No. 704/SS/64 of 6th September 1964 and U.O. No. 64/Fuel/117/2 dated 10th September 1964) and given in Appendix III.

4.23. During the course of evidence the representative of the Ministry of Transport has explained the basic issues involved in the development of coastal shipping in the following terms:

“A decision was taken by a Cabinet Sub-Committee that the target of movement round the coast should be 2 million  
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tonnes made up of both loco coal and industrial coal. This target was practically achieved for some time but later, it started declining. The basic problems faced by the Ministry of Transport in making any plans for the coastal movement has been the inability of the Railway Ministry to give us what might be called a long term plan or programme..... Therefore, we are not in a position to give our consent for a long-term programme for the movement of coal round the coast..... There are two things involved—one is a long-term programme and the other is of assuring of ships to carry coal round the coast. Coal incidentally is a kingpin in the cargo movement round the coast. We find it difficult to put across any proposal to the Ministry of Finance for the acquisition of colliers. Whenever we go there, they ask, 'What is the cargo that you are going to move?' But there is no assurance forthcoming from the railways."

4.24. During the course of evidence, the Committee wanted to know why the Railways were not able to supply the coal to the shippers when, as per the decision of the Cabinet Committee, they were to provide an assured traffic of 2 million tons of coal per annum. The representative of the Ministry of Railways has explained as under:

"I would like to explain the context of the decision to move 2 million tons by sea taken by the Cabinet Committee. At that time there was a serious transport bottleneck to move coal and also the Steel, Mines and Metals Ministry was saying that coal was not being lifted. So other routes have to be found to move the coal and the decision taken was that over a period of years coal of the order of 2 million tons would move by sea. The question is what interpretation should be given to 'over a period of years'. Is it 5 years or 2 years?"

4.25. The Committee desired to know whether it would not have been proper for the Railways to refer the matter again to the Cabinet Committee and then act on that. The representative of the Ministry of Railways has replied as under:

"We have carried out the target for nearly 4 years: 1961-62—12 lakh tons, 1962-63—12 lakh tons and 1963-64—13 lakh tons. We have carried for 4 years and in 1964 there was another inter-Ministerial coordination meet-

ing at which the matter was reviewed. Of course, that was a different Committee; it was not Cabinet Committee. But this matter was reviewed and it was found at that time that the consumers need not be forced to take the coal by the particular route. Another thing I wish to submit before the Committee is that in 1961 when the Cabinet Committee took this decision, simultaneously they also took a decision that the coal fields in the Central India and Singareni must also be developed and once they developed Railways should take the coal from those areas to the extent they required. With the development of these coal fields, a lot of coal is now coming both to the South and western areas from these new coal fields; our total requirements of coal from Bengal and Bihar has gone down."

4.26. The Committee wanted to know whether the Ministry of Transport would like that the Railways should make a firm commitment stating the minimum tonnage which the coastal shipping should have and the minimum period during which the tonnage had to be moved. While affirming that the Government is thinking on these lines, the representative of the Ministry of Transport has clarified:

"It is necessary for the railways to give us a fairly long-term programme. We are not asking for this programme for too long a period but till the Haldia Development south of Calcutta takes place. This project is likely to be completed by 1971-72. By this time the economics of coastal movement are likely to change very radically."

As to the minimum period which they would like the Railways to be committed, the representative of the Ministry has stated that they would welcome a period of 10 years or even 15 years but at the present stage they would be satisfied if the Railways assure them of a cargo till the period when Haldia is ready.

4.27. As regards the tonnage of coal to be moved by coastal shipping, the representative of the Ministry has stated that the National Shipping Board has suggested a minimum of 7.5 lakh tonnes a year. The Ministry of Steel, Mines and Metals are thinking of a slightly different target. The Planning Commission are thinking of a higher target in terms of movement around the coast and movement in terms of exports to Burma and Ceylon. Whatever might be the

tonnage ultimately decided upon, it could not be below 7.5 million tonnes, which is the figure suggested by the National Shipping Board.

4.28. In justification of balancing of traffic if a minimum of 7.5 lakh tons of coal cargo is assured the Ministry of Transport and Shipping in a written note has stated: "An analysis of the dry cargo traffic on the coast has revealed that traffic to Calcutta is considerably more than traffic from Calcutta. As such, it is essential to have coal shipments from Calcutta to procure balanced traffic in both directions. The estimates of traffic are as follows:

(Figures in lakhs of tonnes)

| Range                              | General Cargo |               | Balance coal requirement | General Cargo on West Coast | Total                |
|------------------------------------|---------------|---------------|--------------------------|-----------------------------|----------------------|
|                                    | To Calcutta   | From Calcutta |                          |                             |                      |
| Calcutta/East Coast                | 2.00          | 1.00          | 1.37                     |                             | 4.37                 |
| Calcutta/Tuticorin<br>Cochin       | 4.00          | 0.50          | 3.50                     |                             | 8.00                 |
| Calcutta West Coast                | 4.50          | 2.00          | 2.50                     |                             | 9.00                 |
| West Coast only<br>(General Cargo) |               | ..            | ..                       | 9.00                        | 9.00                 |
| Total movement .                   | 10.50         | 3.50          | 7.37<br>Or<br>7.50       | 9.00                        | 30.37<br>Or<br>30.50 |

It will be seen from the above, that general cargo traffic including salt to Calcutta is expected to be round 10.50 lakhs tonnes per year and as against this, the general cargo traffic expected to move from Calcutta is only about 3.50 lakhs tonnes. As such a minimum quantity of 7.50 lakhs tonnes of coal is needed in the reverse direction to balance the traffic.

4.29. Asked to state the estimated movement of coal on railway account by Southern and Western Railway during Fourth Five Year Plan period, the Ministry of Railways, in a written note, have com-

communicated their requirements of coal to be moved by rail-cum-sea route upto 1971-72 and year-wise targets are as under:

| Year    | Southern Rly. | Western Rly. | Total    |
|---------|---------------|--------------|----------|
|         | tonnes        | tonnes       | tonnes   |
| 1968-69 | 3,50,000      | 2,50,000     | 6,00,000 |
| 1969*70 | 3,00,000      | 3,00,000     | 6,00,000 |
| 1970-71 | 3,00,000      | 3,00,000     | 6,00,000 |
| 1971-72 | 3,00,000      | 3,00,000     | 6,00,000 |

The estimated requirements were communicated by the Ministry of Railways (Railway Board) to the Ministry of Transport and Shipping, *vide* their O.M. No. 67/Fuel/47/1, dated the 18th May, 1968 (Appendix IV).

4.30. As regards coal for industrial users, the Committee have been informed that the Coal Controller has also indicated that the volume of coal to be moved on account of industries would be 30,000 tons per month. In other words, the total quantity of coal which according to present indications would be available for coastal shipping, would be of the order of 80,000 tons per month or 9.6 lakh tons per annum.

4.31. In a written note submitted to the Committee, the Ministry of Transport and Shipping has stated that the following estimates have been given by the Ministry of Steel, Mines and Fuel (Department of Mines & Metals) :

“The movement of 0.96 million tonnes is however dependent on the availability of colliers, continuance of the rail-cum-sea route subsidy scheme,\* a review of which is due by

\*In a written note the Ministry have stated :

“It was decided by Government in March, 1961 that in view of shortage in rail transport then prevailing, arrangements should be made for moving an additional one million tons of coal every year by the sea route to coastal States in the South and West and that the coal transported by the sea route should be made available to the consumers at almost the same prices as corresponding grades of coal moved by rail. Among the measures to be taken for achieving this, one was that a subsidy should be paid in respect of such sea-borne coal, the funds for the subsidy being found by raising an additional excise duty on coal. In pursuance of this decision, the approval of the Parliament was taken for raising the ceiling prescribed for excise duty levied under the Coal Mines (Conservation and Safety) Act, 1952. The excise duty was raised by 80 per paise per ton on coal and soft coke and Rs. 1.20 per ton on hard coke with effect from 8-6-61 for this purpose.

With the decontrol of coal prices with effect from 24-7-67 it became necessary to consider the question of continuance of the subsidies to the coal industry and the subsidy on coal moved by rail-cum-sea route. The matter was considered early this year and it was decided to continue the scheme of subsidy on coal moved by rail-cum-sea route upto 31-3-69. A further review is expected to be conducted before the end of the current financial year.”

the beginning of 1969-70, and the inability of the Railways to carry this coal by the all rail route. It has recently been indicated by the Ministry of Railways that the Railway capacity will be available to move the coal of Bengal-Bihar region by all rail route by 1971-72. The discontinuance of the subsidy scheme will also have its effect on the movement by the rail-cum-sea route; as such movement would then become uneconomic."

4.32. With regard to movement of commodities by Indian coastal shipping to Burma and Ceylon, the Committee has been informed in a written note by the Ministry that the main commodity which moves at present by Indian coastal ships to Burma and Ceylon is coal. The exports of coal to Ceylon and Burma during the last three years were as under:—

|         | Ceylon                    | Burma |
|---------|---------------------------|-------|
|         | (quantity in lakh tonnes) |       |
| 1965-66 | .59*                      | 1.40  |
| 1966-67 | 1.65                      | 1.93  |
| 1967-68 | 1.57                      | 1.84  |

4.33 Due to rapid dieselisation of the Railways the Ceylon Government have reduced their requirements and have invited tenders for the supply of 50,000 tons only during the period December, 1968 to November 1969. It is probable that even these quantities will be reduced gradually in the coming years.

4.34. As regards Burma, the MMTC's current contract is for the supply on C.I.F. basis 2,96,00 tons of coal and coke during the period January, 1968/December 1968. The entire quantity is to be carried by Indian coastal ships. But in August, 1968, a 3 year contract has been signed with Burma providing for the supply of about 2,60,000 tons of coal and coke during the period January, 1969 to December, 1969. The supply of coal and coke during 1969 will be on F.O.B. basis in vessels to be nominated by buyer. The quantities and prices for 1970 and 1971 will be negotiated and agreed upon each year 4 months prior to the expiry of each year delivery period. It may, however, be assumed that at least the same quantity i.e., 2,60,000 tons per annum, would be exported to Burma during the

\*Our Exports of coal to Ceylon started in December, 1965.

next 5 years. The Ministry have, however, expressed their difficulty at this stage to indicate whether they will succeed in their efforts to persuade Burma to lift coal on C.I.F. basis enabling the utilisation of Indian coastal ships.

4.35. In the import trade the principal commodity moving from Burma is rice. There is practically very little movement of other commodities by Indian ships in the India/Ceylon and India/Burma-trades as will be seen from the following statement:

(Tonnes in lakhs)

|      | India/Burma |                      | India/Ceylon |                                      |
|------|-------------|----------------------|--------------|--------------------------------------|
|      | Export      | Import               | Export       | Import                               |
| 1965 |             | 2.18<br>(foodgrains) |              | 0.12<br>Copra<br>0.11 Misc.<br>Cargo |
| 1966 | ..          | 1.93<br>(foodgrains) |              | 0.46<br>Genl. cargo                  |
| 1967 | . . .       | (not yet available)  |              | (not yet available)                  |

4.36. The Committee desired to know whether the MMTC had explored the possibility of shipment of Indian coal to Hong Kong through Indian coastal ships before undertaking shipments to Hong Kong in foreign chartered vessels. The Ministry has informed the Committee in a written note that during the negotiations the Hong Kong buyers had expressed their inability to accept per month more than 4,000 to 5,000 tons at a time because of limited demand for coal in the market. Accordingly, the Shipping Corporation of India and the Chartering Organisation in the Ministry of Transport and Shipping were approached by the M.M.T.C. for providing small ships capable of carrying this tonnage. The Shipping Corporation regretted their inability to provide such small vessels. The Ministry of Transport & Shipping replied to the M.M.T.C. that no Indian ship-owners would be interested as there was no return cargo available from Hong Kong and the vessels would have to be ballasted back to India. The Committee has been further informed that under the contract entered to by the M.M.T.C., a quantity of 24,000 tons of steam coal is required to be shipped to Hong Kong during the period



April, 1968 to December, 1968 with an additional quantity of 15,000 tons to be shipped during the period January, 1969 to March, 1969. About the additional quantity of 15,000 tons the foreign buyers would be intimating their option to the M.M.T.C. in November, 1968.

4.37. The Committee need hardly point out that coal is the most important single commodity in the coastal traffic in India and wherever there is a comparatively small quantity of cargo to be carried, it has to be supplemented by coal to provide balanced traffic. In fact coal is the king-pin in the cargo movement around the coast.

The Committee note that a decision to increase the movement of coal by rail-cum-sea route from 1 million tonnes to 2 million tonnes per annum to Southern and Western India both on account of Railways and Industry was taken by the Cabinet Committee in March 1961, but later the decision was modified at an inter-departmental meeting held on 18th August, 1964. The Committee feel that in a matter like this, where the interests of the Railways and Coastal Shipping clashed, it would have been proper to place all the facts before the Cabinet Committee for their decision. From the facts as disclosed before them the Committee find that at present the Ministry of Railways have made a commitment that they will be supplying 50,000 tons of coal per month to be carried by coastal shipping till 1971-72 and in addition they have requested the Ministry of Shipping and Transport to ensure movement of one ship load per month of industrial coal to Saurashtra ports by rail-cum-sea route. The Ministry of Shipping and Transport, however, have suggested a minimum of 7.5 lakh tons a year. In the opinion of the Committee the gap between the quantity offered by the Ministry of Railways and the quantity suggested by the Ministry of Shipping and Transport is not much and it could be easily bridged. The Committee, therefore, suggest that the Ministry of Railways and the Ministry of Shipping and Transport should by mutual consultations come to a settlement at the earliest possible time so that a minimum quantity is assured to coastal shipping till the period when Haldia is ready.

4.38. The Committee would like to stress that it should be borne in mind that only when an adequate quantity of coal is assured to the coastal trade, will there be balanced traffic and the possibility of maintaining the coastal trade at a proper level.

## CHAPTER V

### FREIGHT

#### A. Fixation of Rates

5.1. The existing powers available with the Government for fixing of rates about fares are those mentioned under section 412(1) of the Merchant Shipping Act, which is reproduced below:—

- (1) The Central Government may by order publish in the Official Gazette, fix in the prescribed manner the rates at which any Indian ship may be hired and the rates which may be charged for the carriage of passengers or cargo by any ship in the coasting trade of India.
- (2) If the Central Government considers that with a view to enabling it to fix the rates under sub-section (1) it is necessary or expedient so to do, it may constitute a Board in the prescribed manner for the purpose of advising it; and such Board may be constituted either generally or for a particular case or route or in respect of rates for the carriage of passengers or cargo or both.
- (3) Where an order fixing the rates to be charged for hire or for the carriage of passengers or cargo has been published under sub-section (1) no owner, master or agent of a ship shall charge rates exceeding the rates so fixed."

5.2. The Control of Shipping (Rates) Rules, 1949 (which continue to be in force by virtue of clause (a) of sub-section (3) of section 461 of the Merchant Shipping Act) lays down the manner in which the rates of fares in the coastal trade may be fixed.

5.3. It has been stated by the Ministry that although Government have statutory control over the rates and fares on the coast, in actual practice, these are generally fixed by the Indian Coastal Conference/ or the shipping companies concerned. It is only in cases where the rates for any commodity/commodities or the passenger fares in any particular service are considered to be unreasonable that Government intervene. In such cases, they have by notification announced the rates and fares applicable to the particular trade concerned. For example, they recently fixed the fares for the Konkan passenger

service on the basis of the Report submitted by a committee which was appointed for the purpose. Similarly, in the case of the Indian tankers chartered to the foreign oil companies for operation on the coast, they fixed the rates of hire.

5.4. It has been represented to the Committee that, although Government have powers to constitute a Board for the purpose of advising them in the fixation of rates and fares for coastal movement, they have not so far constituted any such Board under the Act. In actual practice, freight rates on coal are negotiated with and sanctioned by Government as the Railways are the biggest shippers. As for salt, the shippers represented by Indian Salt Manufacturers' Association are consulted before any increase in rates is effected. With regard to general cargo, the Coastal Conference is left free to fix and/or revise rates on individual commodities. If a general increase is to be imposed on all cargoes including coal and salt, the Coastal Conference is required to obtain the prior approval of the Government. Government have instituted from time to time inquiries into the freight structure on representations made by the Coastal Conference. Examination of accounts of various shipping companies and submission of recommendations by the officials of the Transport Ministry who are conducting the inquiries take a long time and further time is taken by Government for consideration of the recommendations and announcement of their decision. From the time the representation is made by the Conference to the time the Government's decision is announced so much time is lost that the effect of the measures taken to cover the rise in costs of operation is nullified by further rise in costs in the interim period. It has further been represented that the Coastal Conference has suffered heavy financial losses on account of delayed decision of the Government and obtained no relief because of further rise in cost of operation.

5.5. Asked to state how much time the Government have taken in giving approval to the proposal for the revision of freights, the representative of the Ministry of Transport has stated in evidence that normally it should not take more than three months, though in some cases it has taken six months. The financial results are examined by the Director General, Shipping, and he makes recommendations for a general increase in freights. When the recommendations of the Director General, Shipping, are received in the Ministry of Transport, these are referred to the Ministries concerned, particularly the Ministry of Commerce. Then a meeting of the Maritime Freight Commission is arranged and in the light of the recommendations, Government take a decision. If the report of

the Director General, Shipping, covers all the points, a period of three months for announcing Government's decision would be enough. But if further clarification is asked, it takes more time.

5.6. Asked to state on how many occasions since 1956 the Coastal Conference has approached the Government for enhancement of rates and on how many occasions such increases were permitted, the Ministry of Transport has furnished the following information to the Committee:

"The representations submitted by the Conference for the enhancement of freight rates and the extent of increase in the rates sanctioned by Government on the basis of those representations are briefly dealt with below:—

- (1) *Rail-Sea Coordination Committee*: In pursuance of a statement made in Parliament by late Shri Lal Bahadur Shastri while introducing the Railway Budget for 1955-56, the Government of India appointed the Rail-Sea Coordination Committee in June 1956 under the Chairmanship of Shri N. S. Lokur. This Committee was required to undertake a comprehensive examination of the comparative costs of operation on competitive routes by rail and sea and advise on the steps to be taken to promote transport by coastal shipping for commodities which were specially suited to this type of transport. The Committee submitted its report on 9th April 1957. The Committee recommended a general increase of 15 per cent in the rates of coastal freight as were in force prior to 15th October 1955 and an increase of 10 per cent in respect of coal with retrospective effect from 1st April 1956. In respect of coal the increase was limited to 10 per cent as a 5 per cent increase had already been given. This recommendation was accepted by Government in September 1957.
- (2) *Abhi Commission*: The Indian Coastal Conference submitted a representation on 22nd July 1961 that they should be allowed a general increase of 37.7 per cent in coastal freight rates, as the costs of operation had gone up considerably since the last general increase in freight rates was allowed. The matter was referred to a one-man Commission headed by Shri R. G. Abhi. This Commission recommended a general increase of 15 per cent. in freight rates. On the basis of this recommenda-

tion the Government sanctioned a general increase of 15 per cent on all cargoes with effect from 1st June 1962, with the exception of coal moving to ports upto Cochin for which the increase was limited to 10 per cent.

- (3) *Parasuraman Committee*: The Indian Coastal Conference again represented in May 1963 that they should be allowed a general increase in freight rates. Shri Parasuraman, the then Government Director on the Board of Indian Shipping companies, was asked to examine this representation in June 1963. He recommended the restoration of the cut of 5 per cent in the freight rates for coal moving to ports upto Cochin.
- (4) *Enquiry by D.G. Shipping—1965*: The Indian Coastal Conference represented on 22nd April 1965 that a general increase of 20 per cent in coastal freight rates should be followed. The matter was examined in the D.G. Shipping and on the basis of the recommendation made by him, Government sanctioned an increase of 10 per cent in the rates with effect from 1st August, 1965.
- (5) *Enquiry by D. G. Shipping.—1966*: The Indian Coastal Conference submitted two representations one in October 1966 and another in December 1966 in which they requested for a general increase of about 25 per cent in coastal freight rates. The matter was examined in the D. G. Shipping and an increase of 12.5 per cent was recommended to Government. The Government after consulting the Maritime Freight Commission, sanctioned an increase of 10 per cent with effect from 1st July, 1967."

5.7. A statement showing the time-lag between the submission of the representations made by the Coastal Conference and the dates of communication of Government's decisions, as furnished by the Ministry, is given below:

| Date of representation submitted by Conference | Date of Appointment of Committee, if any to examine representation | Date of submission of report | Date of Communication of Government decision |
|--|--|------------------------------|--|
| 1  | 2  | 3                            | 4  |
| June 1955                                      | June 1955—Appointment of the Rail Sea Co-ordination Committee.     | April 1957                   | September 1957.                              |
| 22-7-1961                                      | August 1961—Appointment of Abhi Commission (one-man commission).   | March 1962                   | June 1962.                                   |

| 1         | 2   | 3             | 4                            |
|-----------|---|---------------|------------------------------|
| 3-5-1963  | June 1963—appointment of Parasuraman Committee. | 1964          | Recommendation not accepted. |
| 22-4-1965 | Examined by D.G. Shipping                       | May 1965      | August 1965.                 |
| 4-10-1966 | Examination carried out by D.G. Shipping.       | December 1966 | July 1967.                   |

5.8. As regards the time-lag between the submission of representation by the Coastal Shipowners and the communication of Government's decision thereon, the Ministry of Transport has, in a written note, stated:

"It will be seen that the enquiries conducted by the Rail-Sea Coordination Committee and the Abhi Commission took more than year. This could not probably be helped as these enquiries were of a detailed nature and covered several aspects of coastal operation. The Parasuraman Committee took about 6 months for the submission of the Report. In the case of the enquiry conducted by D. G. Shipping in 1965 however, there was no undue delay. In the case of the similar enquiry conducted in 1966, there was some delay as clarification on several points had to be obtained from the coastal Conference before submitting the Report to the Ministry. As the Report had to be referred to the Maritime Freight Commission and also to the concerned Ministries, it took some time for the Ministry to pass orders thereon.

It may be mentioned in this connection that the cases made out by the shipowners for the enhancement of freight rates during 1965 and 1966 were based on the financial results of operation of coastal ships during each of the previous years. By the time their representations were examined and Government took decisions thereon, the position changed in the sense that the results of their operation during the subsequent years became available.

Further the main reason for delay in submission of reports by the various committees was that the shipping companies were not maintaining separate accounts in respect of Coastal Shipping, and expenses have to be apportioned between overseas shipping and coastal shipping. With a

view to minimising the time lag between the date of submission of the representation by the Conference and announcement of Government decision thereon, certain pro-formae have been drawn up in which the financial results of coastal operation are required to be submitted by the Coastal Shipping Companies to the Director General of Shipping at the end of each financial year. On the basis of those results the Director General of Shipping would examine the adequacy of the prevailing freight rates and if necessary recommend to Government such increase in rates as is considered reasonable. Government will take a decision on the recommendations within a reasonable time."

5.9. Asked to give their comments on the suggestions made by the Coastal Conference that it would be helpful to constitute a machinery—a board—for consultations with the organized bodies of shippers, and, if necessary, amending the Merchant Shipping Act, in the matter of fixation and/or revision of freights, the representative of the Ministry of Transport has stated that there is already a fairly well-established machinery in the shape of the Maritime Freights Commission and no further machinery is required. This Commission consists of an independent Chairman and a representative each of the Ministries of Commerce, Finance and Transport and Shipping. The function of the Commission is to advise Government on matters relating to maritime freight rates, overseas or coastal, which may be referred to it by Government.

5.10. It has been admitted by the Ministry that the previous procedure under which the Coastal Conference had to approach the Government to effect a general increase in the freight rates was not quite satisfactory from the point of view of shippers. Under the new procedure in which the financial results of coastal operation are required to be submitted by the Coastal shipping companies to the D.G., Shipping, at the end of each financial year, the adequacy or otherwise of the prevailing freight rates could be considered by the D.G. Shipping, and recommendations made to Government. The representative of the Ministry has assured the Committee that under the new procedure there will not be any cause for complaints that much time is taken by Government in announcing the decision on freight revisions.

5.11. He has also stated: "What we are trying to build up is the convention that before they (Coastal Conference) come up with proposals for increase in freight rates, they would have informal talks with the representatives of the shippers."

5.12. The Committee note that the Ministry have from time to time appointed committees to consider proposals for revision of freights and that Government's decisions on the reports submitted by the enquiring committees were communicated within a period of five to six months. They, however, feel that there is force in the argument of the Coastal Conference that by the time Government decisions are announced, the position undergoes a change on account of further rise in the costs of operation in the interim period.

5.13. The Committee agree with the Ministry that the existing procedure in regard to sanctioning general increase in freight rates on the basis of recommendations made by ad-hoc committees appointed every two or three years following representations made by the Coastal Conference was defective. They feel assured that under the new procedure, which has been evolved in consultation with the shipowners, there would be automatic and continuous examination of the accounts of the shipping companies on the basis of returns submitted by them on a standard proforma to the Director General Shipping and that there would not be any cause for complaints from the Coastal Conference in regard to delays in making decisions. The Committee hope that the new procedure will be given a fair trial and the results watched for a period of three years.

5.14. In view of the fact that the Maritime Freights Commission has already been vested with necessary power for advising the Government in matters relating to freight revisions, the Committee do not think it would be necessary to set up any ad-hoc Board for considering proposals for changes in freight. The Committee would, however, suggest that the Coastal Conference and the ship-owners should be given ample opportunities to present their viewpoints before the Maritime Freights Commission before, Government takes any decision on their recommendations.

5.15. The Committee would also suggest that in order that the Director General of Shipping, is in a position to collect statistics about the operating results of the shipping companies quickly and comprehensively, the Coastal Conference should impress upon the shipping companies the need for sending their returns promptly and in the proper proforma.

#### B. Cost of Rail Transport vis-a-vis Rail-cum-Sea Transport of Coal

5.16. The Committee on Transport Policy and Coordination in their Report (1966) has dealt with in detail the comparative cost of movement of coal by sea and rail. The position is summarised below.



5.17. While considering the economics of coal movement by sea vis-a-vis rail, it has to be borne in mind that coal is a 'low-rated' commodity in the tariff schedule of the railways and on account of the telescopic basis of charging, rates on coal are specially low over long distances. Coastal movement of coal on the other hand, is influenced by the following factors:

- (a) Ships going from East coast to the West coast have to make a detour around Ceylon. The voyage by sea from Calcutta to the ports on the West coast is substantially longer than the corresponding distance by rail. For example, the distance from Calcutta to Bombay is about 3,000 kilometres by sea as against 2,000 kilometres by rail.
- (b) As coal has to be brought from collieries situated inland, handling is involved at several places. Coal has to be brought from the mines to the port and then on to the ship. Again it has to be carried by rail or road from the ports to the port towns.
- (c) On account of the peculiar difficulties of the Calcutta port—which is situated 126 miles inland from the sea—ships have to wait for a favourable tide to negotiate this stretch of water. It takes from two to three days for ships to move up to the river and back. As ships have to wait for the favourable tide, on certain days there is concentration of ships, which inevitably leads to congestion and delays in berthing at the port.
- (d) The deterioration in the draft of the river Hooghly has affected the extent to which the capacity of ships can be utilised. The larger the ship, the greater is the extent of under-utilisation of capacity on account of limitation of draft.
- (e) There is limitation of available space for raising adequate dumps of coal in the dock area in Calcutta, which necessitates loading of coal directly from wagons to the ships, thus making it difficult to reduce the turn-round of ships.
- (f) Lack of suitable facilities at the unloading ports which leads to detention of ships at the ports. In particular, small ports at the destination end have inadequate berthing facilities and either lack sufficient lighters for unloading coal or have no space for dumping coal.

5.18. Freight rates on coal charged by the rail-cum-sea route and those by the all-rail route from Raniganj to the ports of destination in southern and western India, as given in the Report of the Com-

Committee on Transport Policy and Coordination (January 1966) are reproduced below:

| (Rs. per tone)           |                          |                           |                                       |                            |                        |  |
|--------------------------|--------------------------|---------------------------|---------------------------------------|----------------------------|------------------------|--|
| Freight from Raniganj to | Rail freight to Calcutta | Sea freight from Calcutta | Incidental charges incl. port charges | Total rail-cum-sea freight | All-rail route freight | Difference between rail-cum-sea and all-rail freight |
| Madras                   | 7.52                     | 33.63                     | 10.00                                 | 51.15                      | 35.63                  | +15.52   |
| Cudalore                 | 7.52                     | 34.85                     | 10.00                                 | 52.37                      | 37.94                  | +14.43   |
| Tuticorin                | 7.52                     | 34.85                     | 10.00                                 | 52.37                      | 41.81                  | +10.56   |
| Cochin                   | 7.52                     | 37.96                     | 10.00                                 | 55.48                      | 41.81                  | +13.67   |
| Bombay                   | 7.52                     | 39.69                     | 10.00                                 | 57.21                      | 36.92                  | +20.29   |
| Bhavnagar                | 7.52                     | 39.69                     | 10.00                                 | 57.21                      | 40.10                  | +17.11   |

5.19. Based, however, on the current freight rates, port charges etc., the expenditure per tonne on the transportation of coal by the all-rail route and the rail-cum-sea route to various coastal ports works out approximately as shown below:—

| Destination port            | Industrial     | Coal               | Railway        | Coal               |
|-----------------------------|----------------|--------------------|----------------|--------------------|
|                             | all-rail route | rail-cum-sea-route | All-rail route | rail cum-sea route |
| (From Raniganj Coal fields) |                |                    |                |                    |
| Madras                      | 50.28          | 75.53              | 50.28          | 74.64              |
| Tuticorin                   | 60.86          | 77.63              | 60.86          | 76.06              |
| Cochin                      | 60.36          | 85.62              | 60.36          | 80.84              |
| Bhavnagar                   | 57.86          | 82.52              | 57.86          | 82.98              |

5.20. It will be seen from the above that the freight rates charged by the Railways on all-rail route are lower than the rates charged on rail-cum-sea route from all the ports.

5.21. It has been stated by the representative of the Ministry of Transport and Shipping that if the question is looked at from the point of view of the economy as a whole, the real criterion for deciding on the suitability of a particular form of transport for a particular stream of traffic is the cost of transport.

5.22. The representative of the Ministry of Railways on the other hand has stated that looked at from the point of view of the user it would be the rate charged. In the context of the movement of coal by the rail route or the rail-cum-sea route or the rail-cum-sea-cum-road route, the consumer would naturally look to the total cost he has to incur.

Asked to state whether the Ministry has calculated the cost per ton to the user, the representative of the Ministry of Railways has stated that they have not made any comparative study of cost. To find out the cheaper form of transport for the user, they would require detailed analysis of the entire structure and also consideration of items like transit time, etc. The representative of the Ministry of Transport has stated that it has been accepted by the Railway Board that long distance transport by rail above 987 kms. is below cost and it has also been calculated that the Railway Board is losing about Rs. 6 crores annually on account of long distance transport of coal. If the Railway Board changes their freight structure and bases it on the principle of cost, the all-rail cost would be much more. He has added that when Haldia comes into picture, the position would dramatically change and the cost of transport by the rail-cum-sea route would come down. The representative of the Ministry of Railways has expressed the view that the element of cost from the coal fields to the Calcutta port might also go up. It does not necessarily follow that movement by rail-cum-sea route would be cheaper if they go on cost basis. He has, however, agreed with the views that the cost of transport by rail route might also register an increase.

5.23. The Committee on the Transport Policy and Coordination in their report has given the comparative cost of all rail-cum-sea movement of coal, assuming the use of Haldia and of modern 15,000 ton colliers. The comparative figures are given below:—

| From West-Bengal-Bihar to | (Rs. per ton) |              |
|---------------------------|---------------|--------------|
|                           | All-rail      | Rail-cum-sea |
| I                         | 2             | 3            |
| Madras . . . . .          | 36·55         | 35·43        |
| Tuticorin . . . . .       | 61·64         | 46·16        |

| 1      | 2     | 3     |
|--------|-------|-------|
| Cochin | 42·70 | 44·30 |
| Goa .  | 59·48 | 44·61 |
| Bombay | 38·87 | 41·69 |
| Kandla | 62·51 | 44·41 |

From the above it will be seen that the rail costs to the economy are lower than the costs of coastal shipping to Cochin and Bombay and higher in respect of the other ports, namely, Madras, Tuticorin, Goa and Kandla.

5.24. It has also been stated that the Sethusamud Canal Project may have a significant impact on the costs of coastal shipping. The comparison above is in terms of full costs of coastal shipping and railways.

5.25. The Committee on Transport Policy and Co-ordination have also quoted the views of the World Bank Coal Transport Study Team that "although the total rail costs to the economy are approximately the same or higher than sea costs *via* Haldia, the addition rail costs for transporting coal to southern and western ports are probably somewhat lower."

5.26. Justifying the need for encouraging coastal shipping, the representative of the Ministry of Transport has stated during evidence that the coastal shipping is an integral part of the transport system in the country; it is the second line of defence and it has got other advantages also. "In the interest of coastal shipping, it is necessary for the economy as a whole to bear some cost. The first point is the inability of the Railways to move the entire coal in certain directions and the other is the positive requirement of developing a particular transport system."

5.27. While agreeing with the views of the representative of the Ministry of Transport that in the overall interests of the country it is desirable to develop coastal shipping also, the representative of the Ministry of Railways has stated that so far as the railway freights are concerned, after leads longer than 800 K.M. rates are charged

below cost so that it is subsidised to some extent. But that has been the pattern for many years and it is not a new thing. He has stated:—

“Since 1964 we have made three successive increases in the rate for coal, with the result that instead of covering our costs up to 500 K.M. we are now covering our costs up to 800 K.M. But you will appreciate that if we were to make a sudden increase up to the level of costs, it would upset a lot of things in the economy. . . . . The railways would be very happy if they could charge full rates but it is a question of the economy of as a whole and the reaction of the consumers throughout the country to our eliminating the subsidy on coal, subsidy which we have been giving for the last one hundred years. We are doing it gradually and we are reducing the exemption but we cannot do it overnight. If we do, the reaction of the consumer may be pretty strong. So, we have to keep that also in view.”

5.28. The Committee wanted to know whether the Ministry of Transport and Shipping could not take any effective steps which could reduce the freight by sea because freight by sea is everywhere cheaper than freight by rail. The representative of the Ministry of Transport has stated during evidence as under:—

“Historically, as you know, coastal shipping is extremely well-suited for the transport of bulk cargo, and movement by sea as compared to rail for the carriage of bulk cargo has been cheaper right throughout history. But there are certain exceptional circumstances in our case which did not make it possible for the coastal shipping companies to offer freights on economic basis. Again, due to historical reasons, we had inherited a very old coastal fleet. It is not an effective fleet. Then we had the problem of lack of assurance of cargo so that we were not able to renovate the fleet. The port conditions in some cases made it certainly difficult. The turn-round has also not been so quick as it ought to be and this has also added to the cost. Further, overseas trade has been more profitable than coastal trade with the result that shipping companies are inclined to turn over their better vessels to the overseas shipping rather than to coastal shipping. . . . . We are taking steps to modernise our ports during the Fourth Plan. . . . We are trying to rationalise the working of the smaller shipping companies. When Haldia comes up there will be dramatic change in regard to the economies and we hope that as a result of these steps, there will be a big change.”

5.29. As stated by the Committee on Transport Policy and Co-ordination, an important determinant of the total quantum of coal to be shipped by the sea route in future is the volume of coal which has to be carried from the Bengal-Bihar coal fields to the southern and western parts of the country. They have estimated that the shipment of coal from the Bengal-Bihar coal fields to the southern and western India could be at a level of 1.5 million tonnes in 1970-71. In estimating the requirements they have taken into account the possibility of consumers of coal in these regions switching over to other sources of energy as also to the programme of dieselisation and electrification on the Western and Southern Railways. The possibility of industrial users of coal switching over to fuel oil has also been taken note of. The Committee on Transport Policy and Co-ordination has further observed:

“Under existing conditions, the cost of coastal shipment, no doubt, exceeds the cost of rail movement. After the facilities at Haldia come into commission, the disadvantages suffered by coastal shipping will be overcome to a large extent and the cost of coastal shipment should come down considerably. Further economies in costs are possible if appropriate types of ships are introduced. It is also necessary to examine possible operational economies in coastal shipping through planned improvement in utilisation of available capacities. From the point of view of the economy as a whole, it is the comparative costs of coastal and rail haulage which should provide the basis for taking a decision on future of coastal movement of coal. So long as rates cannot be brought in closer conformity with costs the existing subsidy on coastal shipment should continue. Since coal is the single most important component of coastal cargo, it is necessary to take long term considerations fully into account while deciding on the future of coastal shipment of coal.”

5.30. The Committee note that apart from the fact that ships going from the east coast to the west coast have to make a detour around Ceylon, the other factors which influence the coastal movement of coal are peculiar to the port of Calcutta—delay in loading and unloading owing to the tide conditions, deterioration in the draft of the river Hooghly and limitation of available space in the dock area. The Committee note further that when Haldia comes up, there will be a dramatic change in regard to the economies and speed of coal movement.

5.31. The Committee agree that coastal shipping is an integral part of the transport system in the country and it is the second line of defence, and, therefore, it is necessary for the economy of the country as a whole to bear some of the cost. However, the Committee are of the view that the subsidy which the Railways have been giving in the movement of coal for the last 100 years or so cannot be done away with suddenly and it would be prudent to reduce the subsidy gradually as the Railways are doing at present.

5.32. The Committee hope that with the gradual change in the freight rates for coal, as envisaged by the Railways, with the coming into operation of Haldia port which will reduce the cost of the railcum-sea route to a great extent, as envisaged by the Committee on Transport Policy and Co-ordination, and with the modernisation of ports expected during the Fourth Plan there will, in the near future, be a gradual improvement in the present situation. In the meantime, however, the Committee would urge that the Ministry should examine the feasibility of making the coastal operations more economical by rationalisation of the working of smaller shipping companies, by quicker turn-round of ships, by better phasing of shipping space and other suitable measures which would help the coastal trade to operate more efficiently and economically than at present.

### C. Return of Capital

5.33. It has been represented to the Committee by the Indian Coastal Conference and the Indian National Steamship Owners' Association that "Government have not followed a consistent policy of allowing economic rates so as to yield a specific return on capital employed. The Planning Commission has recently recommended a return of 12% on capital employed in respect of several industries. The ship-owners consider this return reasonable and urge that freight rates should be so revised as to yield that return."

5.34. In a written note submitted to the committee the Ministry of Transport and Shipping have stated for the purpose of conducting enquiries into coastal freight rates, the Ministry have in the past gone by the financial results of operation of the following principal shipping companies plying on the coast:

Scindia Steam Navigation Co. Ltd.

Great Eastern Shipping Co. Ltd.

Bharat Lines Ltd.

Malabar Steamship Co. Ltd.

New Dholera Steamships Co. Ltd.

National Steamship Co. Ltd.

Information regarding the return on capital employed in coastal shipping by other companies operating on the coast is not available with the Ministry. So far as the six companies mentioned above are concerned, the percentage return on capital of each of these companies pertaining to the year 1964-65 is given below:

(In lakhs of Rupees)

| Company Name  | Freight Earnings | Operations Expenses | Net Operating result | Capital employed | Percentage of return on capital employed |
|---------------|------------------|---------------------|----------------------|------------------|--|
| Malabar       | 111.05           | 84.79               | 26.27                | 135.07           | 19.4                                     |
| New Dholera   | 43.94            | 28.31               | 15.63                | 76.14            | 20.5                                     |
| National      | 20.08            | 17.39               | 2.69                 | 13.20            | 20.4                                     |
| Great Eastern | 161.54           | 156.69              | 4.84                 | 159.63           | 3.0                                      |
| Scindias      | 343.98           | 338.94              | 5.03                 | 444.35           | 1.1                                      |
| Bharat Line   | 130.03           | 114.87              | 15.16                | 164.83           | 9.2                                      |
|               | 810.62           | 740.99              | 69.62                | 993.22           | 7.0 Average                              |

5.35. From the statement it will be seen that the total return on the total capital employed for the year 1964-65 has worked out to 7% but this return on capital does not represent the net profit as expenses on account of interest, managing agents commission, donations, bonus, taxes etc. have to be met out of this return. The Ministry have stated that the requisite data for working out the return on capital for the subsequent years has not yet been furnished by the shipping companies.

5.36. Asked to state what should be percentage of return on capital in so far as the coastal shipping is concerned and whether it is a fact that the Planning Commission has recommended a return of 12% on



capital employed in respect of several industries, the Ministry of Transport have in a note, stated that the committees which have conducted enquiries in the past have recommended varying percentages of return on capital to be allowed to coastal shippers. The Rail Sea Co-ordination Committee (1955-57) considered that a return of 16% on capital employed should be allowed to the coastal shipping industry. The Abni Commission (1961-62) had allowed a return of about 10% on capital employed while Shri Parasuraman who held a further enquiry into coastal freight rates in 1964 had expressed the view that a return of 10 to 12% on capital employed was reasonable in the case of the coastal shipping industry. In the last enquiry conducted by D. G. Shipping 1966, a return of 12% on capital employed was allowed in working out the percentage increase in freight rates to be granted.

The Ministry have felt that a return of 12% on capital employed could be reasonable in the case of coastal shipping industry.

5.37. The representative of the Ministry has stated during evidence that what the Planning Commission has stated is not recently but in the Draft Fourth Plan three years ago. The observations made by the Planning Commission are reproduced below:

“In estimating the likely contribution of public enterprises at existing prices of their products, sufficient allowance has been made for their working expenses, normal replacements, interest payments, taxes and dividends, again on the basis of prevailing prices. It has, however, to be recognised that as a result of devaluation, the cost of maintenance imports required by public enterprises will be higher than originally anticipated. It is extremely important that these undertakings should, as far as possible, seek to offset the higher cost of imported raw materials by better utilisation of capacity, larger import substitution, adjustments in their product-mix and general improvement in operational arrangements. It is only with a concerted effort to reduce costs along these lines that a rate of return on capital employed of not less than 11 to 12 per cent—can be achieved without undue increases in the price of products or services sold by public enterprises.”

5.38. The Ministry of Transport & Shipping have further stated that a Sub-Committee was set up by the National Shipping Board in 1966 to consider what rate of profit should be allowed to the shipping industry. The Indian National Steamship Owners' Association had represented to that Sub-Committee that the shipping industry should

be allowed a return of not less than 12% on capital employed in addition to a rehabilitation allowance of 10%. The Sub-Committee, however, came to the conclusion that the minimum rate of profit which the shipping industry should endeavour to realise was 12% gross return on capital employed to be arrived after deducting all working expenses but before providing for taxes and development rebate and interest on borrowed capital. The capital employed was to be reckoned, according to the Sub-Committee, as being the total of the equity capital, loan capital and reserves and surpluses.

5.39. The Sub-Committee had also pointed out that as the coastal trade had been reserved to Indian shipping and as Government had statutory control over coastal freight rates, it would be possible for Government, by permitting suitable increase in freight rates, to enable the coastal shipping industry to realise the rate of profit recommended by them.

5.40. The Estimates Committee have been informed that this recommendation made by the Sub-Committee is under the consideration of the Government and no final decision has been taken.

5.41. The Committee have noted the observations made by the Planning Commission in the Draft Outline of the earlier Fourth Plan in regard to returns on capital employed and the measures to be taken to secure that return. They feel that it is not difficult for the coastal shipping industry to achieve a legitimate return on capital employed provided port facilities are developed to enable quicker turn-round of vessels, adequate cargo and tonnage is assured, the bottlenecks that hinder the operation of the coastal fleet are gradually eliminated and adequate repair facilities are provided. They feel that if the turn-round of ships could be improved, more voyages could be performed thereby adding to the earnings without corresponding increase in the total operating cost. With the Commissioning of Haldia Port the operation is likely to be quicker, resulting in increased sailings.

5.42. The Committee have earlier noted that the Director General, Shipping, is to undertake a study of the operating costs of the different shipping companies every year and make recommendations in regard to revision of freight rates to the Government. The Committee hope that while considering the recommendations of the Sub-Committee of National Shipping Board, the Government will take into account the latest returns of the shipping companies, as furnished by the D.G. Shipping, so as to fix an economic freight rate for coastal shipping.

### D. Through Booking Arrangements

5.43. The Rail-Sea Coordination Committee (1957) had examined the question of extending "through-booking arrangements" between Railways and Coastal Shipping for movement by combined rail-sea route wherever possible. That Committee had discussed this matter with the Coastal Conference whose views, as submitted to them, were as under:

- "(i) The cost of transportation increases because of the several handlings involved in 'through-booking'.
- (ii) The cargo is likely to be heavily damaged due to several handlings.
- (iii) Shippers and consignees prefer direct services by road to rail-cum-sea 'through-booking' arrangements.
- (iv) 'Through-booking' arrangements envisage regularly of services both by rail and sea which under the present circumstances obtaining both in respect of the availability of wagons and ships is difficult to be guaranteed.
- (v) Under 'through-booking' arrangements cargoes should be received at terminal ports and arrangements for storage etc. should be properly made. Godown accommodation is insufficient at several ports and pilferage is likely to increase. Safety of cargo is also in danger. In view of these risks 'through-booking' will not be preferred by shippers/consignees.

However, if proper steps are taken to ensure speedy clearance and safety of cargo, introduction of 'through-booking' is not a difficult proposition."

5.44. For the purpose of introducing 'through-booking' arrangements, the Conference had suggested the following schemes to the Rail-Sea Coordination Committee:

- "(i) Railways may book the cargoes as usual for through carriage by the appropriate rail-cum-sea route and hand over these cargoes at ports to an agent of the Indian Coastal Conference to be appointed at each port where cargoes are available for rail-cum-sea transport.
- (ii) This Agent should receive all rail-borne cargoes and should book the same by first available steamer for onward carriage to the port of destination.

- (iii) The Agent should similarly receive the sea-borne cargo and book the same for rail transport to the final destination in the interior.
- (iv) The Agent should prepare all necessary papers required for the transport of cargo both by rail and by sea."

5.45. The Rail-Sea Coordination Committee had recommended that the facility of through booking should be continued and expanded wherever possible. They had also observed that the pre-requisite for the success of this scheme would be the maintenance of regular shipping services to enable prompt clearance of cargoes coming by rail and also the maintenance of a single shipping organization with which the Railways will have to deal. They felt that the West Coast and South India being well served by ports, traffic movements by the rail-cum-sea route between North and South India, if encouraged, would afford assistance to the trade and would be particularly useful for encouraging movement of general cargo by the sea route.

5.46. In a written note submitted to the Committee, the Ministry of Transport have stated that the Indian Coastal Conference wrote to the Ministry of Railways on 31st July, 1959 for arrangements regarding rail-cum-sea through booking. The Conference was advised that, as 'through-booking' arrangements already existed between the Western and Southern Railways and the Scindia Steam Navigation Company for traffic between Bombay Harbour and the stations in Saurashtra reached *via* Saurashtra ports and between Bombay Harbour and stations reached *via* Mormugao, the Railways are prepared to extend these arrangements to other rail-cum-sea route on the same line but it would not be possible for the Railways to effect a reduction in their freight rates or impose any restriction on the movement of goods by the all-rail route for the purpose of diverting the traffic to the sea route. It has been stated by the Ministry that the Indian Coastal Conference did not accept this.

5.47. When asked during evidence why the suggestion for 'through-booking' arrangements could not be agreed to, the representative of the Ministry of Transport has stated:

"Through booking does not imply reduction of freight. The suggestion was really that the 'through-booking' arrangements already existing in the Southern Railway and the Scindia Steam Co. should be extended to other areas and the Railways were not prepared to do that. The Coastal Conference asked for reduction of freight and for imposition of restrictions in certain sectors. These two conditions the Railways did not accept."

5.48. During the course of evidence, the representative of the Ministry of Railways has stated that following correspondence were exchanged between the Coastal Conference and the Railway Board on the subject:—

*From Railway Board to the Coastal Conference*

“Railway administration are always prepared to consider any proposal for the introduction of ‘through-booking’ arrangements on the lines of the ‘through-booking’ arrangements already existing between the Scindia Steam Navigation Company on the one hand and the Western and Southern Railways on the other for traffic between Bombay Harbour and stations *via* Saurashtra ports or *via* Mormugao. It will not, however, be possible for the Railways either to effect a reduction in their freight rates or to impose any restriction on the movement of goods by the all-rail route solely for the purpose of diverting the traffic to the sea route.”

*From Coastal Conference to the Railway Board*

“The Conference notes that it is not possible for the Railways to reduce their rates in order to arrive at a through rate. It, however, appears that the Railway Board expects the Conference to quote concessional rates to arrive at a workable through rate. You will appreciate that if concessional rates are to be quoted they should be quoted by both the agencies, *viz.*, the Railways and the Conference. As, however, the Railway Board do not seem to be inclined to reciprocal arrangements, the Conference feels that no useful purpose will be served by pursuing the matter further.”

5.49. The representative of the Ministry of Railways has added that as the Coastal Conference are not interested in pursuing the matter, the proposal for ‘through-booking’ has not been further considered. Asked to state whether the proposal for ‘through-booking’ involves a sizeable loss of freight, the representative of the Ministry of Railways has stated during evidence:

“I do not think the financial implications of the proposal were worked out or they formulated a concrete proposal for reduction. It was a question of principle. The Railway cannot undertake to subsidise movement by rail-cum-sea route and cannot impose any restriction on through booking by railway.”

5.50. The Committee regret to observe that the proposal for introducing 'through booking' arrangements between the Railways and Coastal Shipping for movement by combined rail-sea route wherever possible, which was recommended by the Rail-Sea Co-ordination Committee, has not been given the consideration that it deserves. The Committee feel that it is not fair to reject a proposal on the principle that it is not acceptable either to the Railway Ministry or to the Coastal Conference. The Railways should have worked out the financial implications of the proposal before summarily rejecting a scheme which, in the opinion of the Committee, is a laudable one. The Committee suggest that the Ministry of Shipping and Transport may further examine the proposal in consultation with the Ministry of Railways and the Coastal Conference and arrive at a workable solution so that the consumers' interests can also be adequately protected.

#### E. Lack of Shipping Space

5.51. A statement showing the year-wise targets and actual despatches of coal by sea route on Railways' account to southern and western Railways during the period 1961-62 to 1968-69 as furnished by the Ministry of Railways, is reproduced below:

*Statement showing year-wise targets and actual despatches of coal by sea-route account Railways*

| Year    | Targets*         |                 |           | Actual despatches             |                 |           |
|---------|------------------|-----------------|-----------|-------------------------------|-----------------|-----------|
|         | Southern Railway | Western Railway | Total     | Southern Railway              | Western Railway | Total     |
| 1961-62 | 9,48,000         | 3,36,000        | 12,84,000 | 8,92,000                      | 2,24,000        | 11,16,000 |
| 1962-63 | 9,48,000         | 3,36,000        | 12,84,000 | 10,61,000                     | 3,36,000        | 13,97,000 |
| 1963-64 | 10,50,000        | 2,88,000        | 13,38,000 | 11,06,000                     | 2,39,000        | 13,45,000 |
| 1964-65 | 11,52,000        | 1,35,000        | 12,87,000 | 10,80,000                     | 70,000          | 11,50,000 |
| 1965-66 | 10,50,000        | 30,000          | 10,80,000 | 7,93,000                      | 5,000           | 7,98,000  |
| 1966-67 | 7,75,000         | 10,000          | 7,85,000  | 5,26,000                      | 15,000          | 5,41,000  |
| 1967-68 | 6,00,000         | 10,000          | 6,10,000  | 3,40,000                      | 6,000           | 3,46,000  |
| 1968-69 | 3,50,000         | 2,50,000        | 6,00,000  | 77,327<br>(April-August only) | 5,692           | 83,019    |

\*Railways targets have been undergoing a change from time to time keeping in view the Cabinet Committee's decision of 1961.

5.52. When the attention of the representative of the Ministry of Railways was drawn to the fact that there were shortfalls in the actual despatches of coal during the period 1964-65 to 1967-68, the representative of the Ministry of Railways explained that the shortfall was due to the shortage of vessels it was not due to any fault on the part of the Railways.

5.53. On being asked to offer his comments regarding the non-availability of adequate shipping space, the representative of the Ministry of Transport and Shipping has stated during evidence that basically the reason is lack of a long-term programme. Elaborating further, he has stated:

“We have a coastal fleet capable of carrying coal of about 20-21 ships. The problem really is that Calcutta is the main starting point for coal traffic. At Calcutta there are certain limitations because of the Hooghly. For a few months in the year Hooghly drafts are satisfactory. Many of our coastal ships are Liberty vessels which draw up a lot of water. When the Hooghly draft falls, we find that a ship with 8,000 to 9,000 tonnes capacity can actually carry only 5,000 tonnes of coal. So, much less coal per ship is carried. Railways have various destinations to which coal moves by sea. If coal moves from Calcutta to Tuticorin, the turnround of ships carrying coal is much sooner. If coal moves from Calcutta to Saurashtra, the turn-round of ships is much longer.”

The representative of the Ministry of Transport and Shipping has further stated:

“There was a time when the coastal shipping was able to carry well over a million tonnes of coal. It has come down because the operators, who are mostly private sector people, have no inducement for the replacement. Further in regard to acquisition of vessels for the coastal trade, it has to be on a long term basis because the normal principle followed for acquisition of ships from abroad is on the basis of self-finance..... If a commitment is made for a period of 5—7 years, it will not be difficult for us to progressively augment our offering for the movement of coal, say within 18 months from now.”

5.54. The Ministry of Railways have, however, informed to the Committee in a written note that in their communication dated the 18th May, 1968 addressed to the Secretary, Ministry of Transport and Shipping the Railway Board have stated that “The Railways have further reviewed their requirements on a long term basis in



view of their line capacity and have decided to move this quantity of 50,000 tons per month by coastal shipping till 1971-72..... In addition, the Ministry of Transport and Shipping should ensure movement of one ship load per month of industrial coal to Saurashtra ports by rail-cum-sea route."

5.55. The Committee note that the target of coal to be moved by sea route on Railway account annually has actually come down from 12,84,000 tons to 6 lakh tons per annum and that in the past the coastal shipping companies have not been able to reach the targets as the actual despatches during the last few years indicate that these have been much lower than the targeted figure. The Committee also note that the Ministry of Railways have communicated in their letter dated the 18th May, 1968 that in addition to 50,000 tons of coal per month upto 1971-72 to be moved on Railway account, the Ministry of Shipping and Transport should ensure movement of one ship load per month of industrial coal to Saurashtra ports by rail-cum-sea route.

5.56. In these circumstances the Committee suggest that the Ministry of Shipping and Transport may take up this matter with the coastal shipping authorities and ensure that the movement of coal is not hampered for lack of shipping space even though the Committee appreciate that at present there is some difficulty in this matter e.g. Hooghly river draft, old ships in the coastal trade requiring replacement etc.

## CHAPTER VI

### PORTS

#### A. Berthing and Dry Docking Facilities

6.1. It has been represented to the Committee that no special facilities are available for coastal shipping in the ports of India. It has been contended that at almost all ports on the coast and particularly at major ports, the berthing capacity is inadequate, the available lighters are insufficient, proper dredging is not done as a result of which adequate drafts are not available and there is shortage of pilots and harbour masters, causing delay in bringing in and taking out ships as also in their shifting in the ports. Apart from these drawbacks, the Port of Calcutta has additional disability, viz., low drafts in the Hooghly River. The river is not properly maintained as a result of which, except in monsoon months, the drafts all throughout the year are not sufficient and thereby full carrying capacity of the ship is not utilised.

6.2. It has been represented that the dry docking facilities are available only at Bombay and Calcutta Ports. In view of the fact that the number of existing dry docks is not sufficient, the vessels have to wait inordinately long time for entering the dry docks even for short periods.

6.3. With regard to the complaint about inadequate berthing capacity, the representative of the Ministry has stated in evidence that there are 155 alongside berths and 35 more could come up on the basis of the Fourth Plan. Traffic estimates for various types of commodities had been duly taken into account. The Ministry hope to be able to handle the traffic generated during the Fourth Plan without any adverse effect on turnround of ships. He further stated:

“Broadly the position today is that of the 8 major ports, Haldia is being developed as part of Calcutta Port. It is going to be completed by about 1971-72. Then there is the Madras Outer Harbour Scheme capable of taking ships of 40 ft. draft and over 60,000 tonnes DWT which will be completed by 1969-70. Then we have a large development programme in Mormugao on which we

should be able to take action in the course of next week or so; it is a programme which will facilitate handling of iron ore capable of handling 60,000 tonnes per hour. Mormugao will be capable of taking 60,000 tonnage vessels.....In addition, we are developing two new Ports—Tuticorin and Mangalore. About Rs. 6 crores have been sanctioned for each and we have programmed to complete part of the work during the Fourth Plan. As part of the new proposals, we have got a very big development programme in Nhava Sheva, a satellite port of Bombay, capable of taking ships and bulk carriers and capable also of handling the new pelletised containers. At Visakhapatnam the Commerce Ministry is anxious to increase the export capacity of iron ore to 12 million tonnes and for handling ore, export schemes are under consideration. Paradeep has been developed is a mono-port, capable of handling only one commodity, iron ore."

6.4. The Committee wanted to know if, besides the dry docking facilities available to Bombay and Calcutta, there was any proposal to have more dry docking facilities at other suitable places also. The representative of the Ministry has stated during evidence that one dry dock is under construction at Visakhapatnam and another dry dock with a capacity of 85,000 to 100,000 tonnes will be available as part of the Cochin Shipyard.

The Committee have been informed that the Commission on Major Ports was set up on the 14th February, 1968, with the following terms of reference:—

- (i) To examine the methods of working of major ports with a view to improve their operational efficiency;
- (ii) To consider broadly their development programme in the context of present and future national needs with special reference to the changing shipping and port technology;
- (iii) To examine specifically the following aspects of port working—(a) Management, (b) Financing and (c) Personnel;
- (iv) To consider, in the light of the above, the capacity of the ports to enhance the current rate of ex-gratia payment;
- (v) To review the arrangements that exist for coordination among the different ports; and
- (vi) To make recommendations on the above and other ancillary matters.

The Committee was required to submit their report within a period of six months, but the term of the Commission has been extended upto 28th February, 1969.

6.5. The Committee note that Government are conscious of the present shortage of berthing capacity in some of the Major Ports. They also note that with the schemes already in hand and the development programmes contemplated during the Fourth Plan period, the Ministry would be able to handle the traffic generated without any adverse effect on the turn-round of ships. The Committee further note that one of the terms of reference of the Commission on Major Ports set up on the 14th February, 1968, is "to consider broadly their (of ports) development programme in the context of present and future national needs with special reference to the changing shipping and port technology." They hope that Government would give expeditious consideration to the Report of the Commission, when available, and set up the necessary infra-structure for providing increased berthing and dry docking facilities to the ports.

6.6. The Committee further suggest that Government may examine the question of berthing capacity in the Intermediate and Minor Ports also so that the interests of coastal shipping may be adequately protected.

### B. Dredging

6.7. As regards the drawback of the Port of Calcutta on account of low draft in the Hooghly river, the representative of the Ministry has stated in evidence:

"Hooghly is a difficult problem. The broad solution we expect is from two directions; one by developing Haldia and the other from completion of Farakka. Pending completion of Farakka, there is a programme for deep river training works in Bhagirathi. When Farakka is completed, 40,000 cusecs will flow. It does not wash up all the silt now. We have trained the Bhagirathi river in such a way that with the Farakka barrage in operation, silt-free water would flow from Bhagirathi and flush the Hooghly. The effect of the barrage would be that the draft will increase and the problem of bore tides will be obviated if not completely eliminated."

He further stated that with the existing capacity of dredgers and existing manpower available to Calcutta port, what was possible was

being done to dredge and keep the Hooghly free. "We are fighting here against nature. It is not a problem where man can simply dredge and solve it; it is not possible."

6.8. Questioned about the present position of the proposal to build up a dredger pool to be created among the major ports, the representative of the Ministry of Transport stated:

"We have already what is called a minor ports dredger pool which has got 2 dredgers as well as some tugs. We wanted to supplement this by another 2 dredgers which have high power capacity for the purpose not only of catching up with backlog and maintenance of dredging as in Paradeep, but also attending to the dredging requirements of Mangalore and Tuticorin, Mormugao etc. We have got clearance from Government for procuring these. One is against an ore contract with Japan and another is under some other foreign exchange arrangement. We are at it."

6.9. Asked whether there is a proposal to include all the major ports also in the dredger pool, the representative of the Ministry of Transport and Shipping stated:

"This is a large question. We have appointed this Major Port Commission which is broadly considering the question as to what should be the national policy in regard to various matters such as finance, and the question as to why it should not be pooled and have a central fund and so on. ....Each port has got its own dredger."

6.10. The IAPAH (International Association of Ports and Harbours) Study Team under the Chairmanship of Mr. Stig Axelson of Sweden in their Report have made several references to the severe draft restrictions which exist in all major Indian ports. According to them, while these draft restrictions are especially detrimental to the country's ability to accommodate tankers and bulk carriers, they also pose a problem for conventional general cargo vessels at most ports. The Team believes strongly that providing adequate channels at the major ports is the most serious of the many port problems facing India. The team has observed:

"Nature has provided India with severe inherent water depth problems. The siltation which occurs at ports on both coasts plus the littoral sand drift along the east coast would severely test the ingenuity of any country. If this

challenge is to be met, extensive dredging operations will always be required. India totally possesses the largest fleet of dredgers in the world and has plans for acquiring many more dredgers. The Team can find no fault with these plans to improve dredging capacity since many of existing dredgers are old and even obsolete. On the other hand we are extremely critical of the utilization of India's dredging capabilities. With a few exceptions, .....the utilization of existing dredgers is nothing short of appalling, especially when one considers the magnitude of the dredging problem. In port after port, dredgers are being used at less than their full capability. This failure to utilize available dredging capacity can perhaps best be illustrated by outlining some of the typical situations:

1. Dredgers tied up because of lack of crew.
2. Dredgers working eight hours per day in ports where even 24 hours operations would be insufficient to fully meet the dredging problem.
3. Dredgers returning to dock to allow crews to return to their homes for lunch.
4. Dredgers taken out of service for maintenance on other than a normal day off, such as Sunday.
5. Dredgers not operating at night because of inadequate navigational lights at the port.
6. Dredgers inoperative because spare parts have not been procured.
7. Dredging operations which must cease whenever a vessel enters or leaves port.
8. Dredgers not operating because the port did not wish to pay overtime.
9. Dredgers being scheduled for annual overhaul during other than monsoon periods when dredging must cease anyway."

The Team has further observed that the failure to utilize existing dredging capacity is nothing short of a national calamity. Equally disturbing is the lack of concern shown by port officials to

this under-utilization. They appear to consider acquisition of new dredgers the only answer to meeting dredging requirements.

6.11. The Team has recommended that immediate steps should be taken to ensure that all available dredging capacity is being fully utilized. To accomplish this, the Central Government should immediately initiate a detailed study to determine exactly the extent dredgers are now being used. The Government would then be in a position to investigate and consider alternative courses of action to effect a more productive use of dredgers.

6.12. In reply to a question answered in the Lok Sabha on the 29th November, 1968, in regard to the implementation of the recommendations contained in the Report of the Study Team, the Government have stated *inter alia*:—

“The major Port Trusts own such dredgers as are required for their regular maintenance needs. It is agreed that dredgers should be utilised adequately and that factors which hinder full utilisation should be removed. The recommendation has been brought to the notice of major Port Trusts for being examined with reference to the conditions obtaining at each port.”

6.13. The Committee note that after the completion of the Farakka Barrage silt-free water would flow from Bhagirathi and the draft of the river Hooghly would increase obviating the problem of bore tides. Till the completion of the Farakka Barrage, however, efforts should continue to be made to dredge the river Hooghly so as to facilitate navigation.

6.14. The Committee note that each major Port has got its own dredger. There is also a Minor Port Dredgers Pool with two dredgers as well as some tugs. The Committee hope that expeditious action would be taken to procure the additional dredgers for which clearance has been obtained from the Government for attending to the dredging requirements of Mangalore, Tuticorin, Mormugao, etc. The Committee further hope that the question of having a Dredger Pool for Minor and Major Ports would be considered by the Government after the Report of the Major Ports Commission is available.

6.15. The Committee are constrained to observe from the Report of Axelson Study Team that the available dredging capacity is not being fully utilised. They are unhappy to note that a good many dredgers require extensive repairs and replacement and that the

dredgers in India are used for only 8 hours a day whereas the magnitude of the dredging problem demands round-the-clock operation.

6.16. The Committee feel that it is not enough for the Government to issue instructions to the Port Trusts to see that the dredging capacity is fully utilised. What is required is a detailed procedure to determine the idle capacity of the dredgers, analyse the causes that hinder the utilisation and adopt suitable remedial measures to ensure their maximum utilisation. The Committee would like to be apprised, in due course, of the procedure adopted.

### C. Turn-round of Ships

6.17. The attention of the Committee has been drawn to the Shipowners' Memorandum\* to Major Ports Commission on problems of Port development. The Commission had invited comments and suggestions from the various interests concerned, including the Indian National Shipowners' Association, covering the general and specific aspects of problems faced by the shipping at the various major ports in the country. Among the important points, which have been highlighted by the Indian National Shipowners' Association in their memorandum to the Major Ports Commission, are the following:

- (i) The traffic at major ports has increased tremendously since Independence; so also has the size and tonnage of ships calling at the ports. While they are expected to increase still further, the measures that have been undertaken to increase the port capacity and facilities have fallen far short of the requirements.
- (ii) Despite progressive increases in benefits to labour, frequent strikes and growing indiscipline beset the smooth working of the ports and the labour output has suffered woefully.
- (iii) As a cumulative effect ships suffer from abnormal delays at ports while port charges and other expenses of ships in ports have gone on increasing steeply.
- (iv) Coastal shipping in particular has been the hardest hit in this regard since it has hardly any capacity to bear these growing burdens.

6.18. The attention of the Committee has also been drawn to the article entitled, "Problems of Shipowners at Major Ports", published in the October, 1968 issue of the *Indian Shipping*. The article

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\**India Shipping*, September 1968, pp. 17-22.



details the difficulties encountered by shipowners at the major ports of Bombay, Calcutta and Madras.

With reference to the situation in Calcutta Port, it has been stated in the article:

"Ships are generally detained at the Sandheads whenever there is a sudden influx of foodgrains ships or when ships arrive in a bunch. Though such detentions occur occasionally, they have a chain reaction throughout the port since when a large number of ships arrive at the same time, they have to wait for berthing. Thus, when there is congestion at the Sandheads, ships invariably suffer detention which is further aggravated during the bore tides. Efforts should therefore be made to avoid and minimise such delays. Detention for import berths generally vary between 2 and 4 days depending on the time of the arrival of the ships. Although efforts are being made by the Port Authorities to minimise detentions for export ships for general cargo, quite often the ships have to wait for 1 to 3 days on an average for getting the export berth. But the Port Authorities do not accept the contention and deny such delays occur by the device of restricting the Export Cargo Allow Orders. Nonetheless, such delays do occur.

6.19. The Committee wanted to have a detailed note on the turn-round of coastal vessels at Indian Ports. In a written note furnished to the Committee, the Ministry have indicated the position regarding turn-round of vessels in each of the Ports of Calcutta, Bombay, Madras and Cochin.

#### *Calcutta*

6.20. Separate statistics are not maintained at this Port of the turn-round time of coastal vessels and foreign going vessels. Particulars of detention suffered by coastal vessels from the month of January, 1968 are given below separately for ships unloading general imports and loading coal at this Port:

|               | Coastal<br>Import | Coastal<br>Colliers |
|---------------|-------------------|---------------------|
| 1             | 2                 | 3                   |
| January 1968  | Nil               | Nil                 |
| February 1968 | Nil               | 2 day               |

| 1                     | 2        | 3        |
|-----------------------|----------|----------|
| March 1968 . . . . .  | 4 day    | Nil      |
| April 1968 . . . . .  | 2.3 days | 1.0 day  |
| May 1968 . . . . .    | 1.0 day  | .2 day   |
| June 1968 . . . . .   | 1.0 day  | 1.0 day  |
| July 1968 . . . . .   | 1.6 days | 1.1 days |
| August 1968 . . . . . | 1.2 days | 1.0 days |

Reasons which were responsible for detention to coastal ships during above period were briefly as follows:—

(1) Non-availability of river berths during bore-tide restrictions resulting in wastage of approximately 1/4th of Port's berthing capacity. This is a phenomenon beyond the Port's control.

(2) Deterioration in draft available in mooring berths and jetty berths on the river due to heavy siltation.

(3) Strike by Port Commissioners' employees from 29th March to 4th April, 1968 resulting in stoppage of movement of ships and cargo handling work.

(4) Heavy rain in Calcutta in June & July 1968.

### *Bombay*

6.21. Cargoes imported from coast ports are light cargoes and find a ready market. They are therefore cleared no sooner they are landed. The main items of coastal cargoes landed at Bombay are coconuts, copra, spices, coir bundles and betelnuts, cordage and rope from the Malabar coast, cement and cement clinker from Saurashtra Ports and gunny bales, hessian and hardware from Calcutta.

The procedure for filling Customs Documents, covering these goods, is simple and there is hardly any examination involving appraisal and valuation of the goods, by the Customs House. It is only in rare cases such cargoes are left lying on the premises beyond ten days of their landing. The rate of handling by the Bombay Port Trust shore labour from ship ashore of these cargoes usually exceeds by over 100 per cent, the datums of output laid down. The same conditions exist with regard to import of coastal cargoes apply also to exports to coastal ports, both in regard to the rate of their

handling from shore to ships as well as in regard to their carting down, alongside ship, for shipment.

All these favourable factors would imply a quick turn-round for coastal vessels but, in actual fact, this is not so for various reasons which are as follows:

Shipowners of coastal vessels, for reasons best known to them, do not work cargoes in all three shifts. In regard to export cargoes since several coastal ships arrive almost simultaneously in Port to load/unload cargoes, they are not able to secure adequate export cargoes and they remain at berth awaiting receipt of these cargoes. Coastal ships accordingly remain at berths very much longer than is normally required to handle the quantities of cargoes which they discharge and which they load, on a single voyage. Even if they have no cargoes to load, the owners of these vessels are known to fix the departure dates of their vessels to suit a particular arrival time at the next port.

#### *Madras*

6.22. During the year 1967-68, 98 coastal vessels were dealt with which landed 89,918 tonnes of import cargo and took 28,025 tonnes of export cargo. The average period spent by these vessels waiting for berth is 1.8 days and the turn-round time taken from the time of arrival to the date of sailing averages to 6.4 days. Coastal vessels take their turn for berths along with foreign vessels in the order of their arrivals and there is no separate berthing priority for them.

#### *Cochin*

6.23. Major portion of coastal cargo excluding POL is handled in stream. In case of imports, streamer agents either give overside delivery or unload cargo in their godowns. In case of exports, shippers lighten cargo to ships in stream. Turnround time of coastal vessels is more than foreign vessels as coastal cargo is handled in stream.

6.24. Asked to state whether the turn-round of ships suffered on account of unsatisfactory conditions of loading and discharge at ports thereby entailing heavy financial losses to the Shipping Companies, the Ministry of Transport and Shipping, have furnished a written note, stating the position in Calcutta, Bombay, Madras and Cochin.

*Calcutta*

6.25. As facilities available in the Port are intended for the use of coastal and foreign vessels without any restriction, it cannot be maintained that coastal vessels are unfavourably placed and their turn-round alone is adversely affected by unsatisfactory conditions of loading and discharge of cargo prevailing at any time in the port. The exceptions are that coastal vessels carrying timber and salt have to unload at river mooring and the preference being given to colliers, loading for Burma and Ceylon Ports at the instance of Government.

*Bombay*

6.26. Ships licensed to ply on the coast enjoy certain advantages when compared with ships plying in the overseas trade; in the latter case, whether Indian-owned or foreign-owned. For instance, most of the ships plying on the coasts are small ships with low drafts and on arrival at Bombay, obtain berths on the day or the day following that of their arrival in marked contrast with ships arriving with overseas cargoes which are usually delayed in berthing.

*Madras*

6.27. The coastal vessels do not suffer any delay at the Port nor is their turn-round adversely affected. There is no information that coastal vessels suffered heavy financial loss due to conditions of loading and discharge at this port. The facilities offered for coastal and foreign cargoes are the same. The coastal traffic at this port is not heavy. The main commodities of coastal imports are gunnies from Calcutta and lubricating oil in drums from Bombay and sometimes from Cochin. These commodities especially bales gunny are handled with mechanical aids like forklifts and a sort of preference is given in supplying forklifts for handling these commodities from the coastal ships.

*Cochin*

6.28. Conditions of loading and discharge are normally satisfactory except, at times, for shortage of berths especially stream berths due to the bad weather congestion and insufficient draft at moorings.

6.29. The Committee are surprised that separate statistics are not maintained at Calcutta Port about the turn-round of coastal and foreign-going vessels. The Committee recommend that such statistics should be maintained by all the Ports and duly utilised by them.

6.30. From the figures furnished about the detentions suffered by coastal vessels at Calcutta from the month of January, 1968, onwards, the Committee note that detentions were in the neighbourhood of 1.2 days in regard to coastal imports and 1.0 days in regard to coastal colliers during June to August, 1968. While part of the detentions is due to factors over which the Port authorities have no control, viz. bore tide restrictions, deterioration of draft, heavy rains, etc., the strike by Port Commissioners' employees has also been a contributory factor for detentions suffered by coastal vessels. Since detentions are likely to lead to a chain reaction at the port causing congestion of vessels for berthing, the Committee would like to emphasise that vigorous efforts should be made to avoid and minimise delays. They further suggest that Government should undertake a comprehensive review of the labour problem in Calcutta and other Ports and take suitable steps to improve the labour-management relations, so that there may not be any hold-up of work due to strikes leading, among other things, to the detention of vessels.

6.31. The Committee note that while the procedure for clearance of goods at Bombay Port is comparatively simple, turn-round of coastal vessels is not effective inasmuch as shipowners of coastal vessels do not work cargoes in all the three shifts and several coastal ships arrive simultaneously in Port to load/unload cargo. The Committee would like the Government to take up the matter with the Indian Coastal Conference so that there may not be any bunching of vessels and the departure and arrival dates can be suitably phased out by the shippers.

6.32. The Committee further note that the facilities available at most of the major ports for loading and discharge are the same for coastal and the foreign cargoes. They have no doubt that the Major Port Commission will examine the question of adequacy or otherwise of the existing port facilities, including availability of lighters, placement of wagons, etc. which have a direct bearing on the turn-round of vessels and the economics of the coastal shipping trade.

#### D. Wharfage and Demurrage

6.33. In a Memorandum submitted to the Committee the Indian Coastal Conference and the Indian National Steamship Owners' Association have stated:

"Wharfage and demurrage on cargoes are collected by the Port Authorities. There is no uniform practice in regard to the collection of these charges on coastal cargoes. The Bombay Port Trust allows a rebate of 20 per cent on all charges.

collected by them. The Madras Port Trust used to allow such rebate but since some time past it has been removed. The Rail-Sea Co-ordination Committee had in 1957 recommended that every effort should be made to reduce the terminal costs by reducing charges wherever possible and by charging preferential port charges for coastal shipping. It is understood that the Port Authorities had opposed this recommendation which, if it had been implemented, would have affected their revenues. At present whenever the Ports are faced with deficits they increase their charges without regard to the fact as to whether cargoes can afford to pay. The charges should be commensurate with the services rendered and a concession should be allowed to coastal cargoes to encourage its movement by sea."

6.34. In a note furnished to the Committee, the Ministry of Transport and Shipping have stated that in Calcutta Port overside charges both for imports and exports for coastal cargo are higher than overside charges for foreign imports and exports. Shipping charges i.e. charges leviable on export cargo including coal and coal training charges are also higher in respect of coastal coal. The levy of lower rates on exports to foreign countries is to improve the competitive position of Indian goods in foreign markets and has been designed as a measure of export promotion. On the other hand, foreign ships, i.e. ships engaged in overseas trade have to pay a surcharge of 57.5 per cent in respect of marine charges including Pilotage charges. This has been imposed following the devaluation of the rupee to cover a major portion of the additional expenditure to the port. In all other respects, port charges are the same for coastal and foreign vessels and coastal and foreign traffic.

6.35. The rates of wharfage and demurrage on goods landed and shipped at Bombay are those prescribed in the Docks Scales of Rates *vide* Sections I, II and III thereof. In regard to coastal cargoes, the wharfage leviable on them is subject to rebate of 20 per cent.

6.36. A General Landing Date is fixed for all cargoes landed from a ship, the date being that on which 2/3rds of the ship's import cargoes was discharged. Thereafter, four "free days" are allowed during which no wharfage accrues. The four "free days" exclude Sundays and holidays declared by the Trustees. On the expiry of the fourth free day, demurrage commences to accrue. Demurrage is levied at the full rate of wharfage payable for each day that the goods lie on the premises following the expiry of the free days. A reduced rate of demurrage is levied in respect of goods railed from the Dock

Stations subject to the conditions enumerated in the relevant clause appearing in Section III of the Docks Scale of Rates.

6.37. Demurrage is waived in full or in part according to the circumstances of the case, upon application being made, by the importer. Such waiver or remission is sanctioned by the Trustees as provided for under Section 43B(2) of the Bombay Port Trust Act, 1879.

6.38. In Madras Port the cargo landed by coastal vessels pay harbour dues (equivalent to wharfage) at rates prescribed in the Trust's scale of rates for the different commodities and the rates are the same both for coastal and foreign cargoes. As regards demurrage, a free period of two working days after completion of discharge by the vessels is allowed. The schedule of demurrage charges beyond the free period is as under:

| <i>When recoverable</i>   | <i>Charges payable</i>                                   |  |
|---|--|--|
| Goods left lying in the Trust's Transit area beyond the expiry of the free days | For the first six days after the expiry of the free days | 30 per cent of the harbour dues for every two days or part thereof   |
|   | For the next six days                                    | 100 per cent of the harbour dues for every two days or part thereof. |
|   | Thereafter   | 125 per cent of the harbour dues for every two days or part thereof. |

6.39. In Cochin Port wharfage and demurrage charges on coastal cargo are the same rate as foreign cargo.

6.40. The Committee note that there is no uniformity in the wharfage and demurrage charges prevailing in some of the major ports and that in some ports the charges leviable on coastal cargoes are different from those realised from foreign imports and exports. While in Bombay port, the wharfage leviable on coastal cargoes is subject to a rebate of 25 per cent, no such concession is discernible in the case of Calcutta and Madras ports. The Committee also note that there is disparity in the "free time" allowed by different ports in the matter of realising demurrage. The Committee would, therefore, suggest that Government may examine the feasibility of introducing proper

rates for wharfage and demurrage in consultation with the Port Authorities. The Committee suggest that Government may also examine the question of levying concessional port charges for vessels engaged in coastal traffic.

#### **E. Development of Minor and Intermediate Ports**

6.41. The representative of the Ministry of Transport and Shipping was asked if there was any synchronisation between the development of minor or intermediate ports and the acquisition of ships and whether it would not give encouragement to the development of coastal shipping if the fleet was built up first and then the development of minor port was undertaken. The representative of the Ministry has stated in evidence:

“The development of minor ports is not necessarily a rider to coastal shipping development. Some minor ports have a lot of international trade. In the last meeting of the Committee of National Development Council a decision has been taken that there will be a Centrally sponsored scheme for minor ports, which will be very specifically directed in terms of improvement of specific minor ports.”

6.42. The Committee are glad to note that a decision has been taken for launching a Centrally sponsored scheme for the development of minor and intermediate ports. They would like that the details of the scheme, when finalised, may be furnished to them.



## CHAPTER VII

### SETHUSAMUDRAM CANAL PROJECT

7.1. In 1955, the Government of India, in their Resolution No. 9/P II(23)55 dated the 1st November, 1955, constituted a Committee, called the Sethusamudram Project Committee, charged with the duty of examining and reporting on the feasibility and the desirability of connecting the Gulf of Mannar and the Palk Bay cutting a channel at the approaches to the Adams Bridge for enabling deep-sea ships to navigate in safety from the West to the East Coast of India. The attention of that Committee was drawn in this Resolution to the suggestion "that the construction of such a passage would increase the potentiality of the Port of Tuticorin, if it is to be developed into a deep-sea port". The Committee had Dr. A. Ramaswami Mudaliar, as its Chairman. This Committee, after making a detailed study, submitted its report with estimates in 1956 recommending the construction of a canal across Mandapam in the mainland. The main conclusion of the Committee is stated below:—

"In our opinion, the two projects (Sethusamudram Canal Project and Tuticorin Harbour Project) which have been referred to us are so closely related to one another that they should be regarded as two parts of one and the same undertaking—an integrated Sethusamudram Project. The main objective of such a project should be visualised as the establishment of a new Sethusamudram Navigation Route as an alternative to the existing longer and more exposed sea route round Ceylon. The relationship between the Port and Harbour of Tuticorin and the new route should be regarded as exactly the same as the relationship between the Port and Harbour of Colombo and the present Round-Ceylon-Route. In our opinion it is feasible and desirable to design an integrated project which will secure these objectives with assured navigational safety and at a cost which will be commensurate with the advantages likely to be secured thereby. The execution of such a project can be completed before the end of the Second Five Year Plan period."

7.2. The Sethusamudram Project Committee estimated that the cost of the project would be about Rs. 9.98 crores, including Rs. 1.62

crores for developing facilities at Tuticorin Port. The Government of India considered the estimate of the Committee for the ship-canal project to be on the low side. The Development Adviser of the Ministry of Transport estimated the cost at about Rs. 26 crores. The services of a navigational expert, Capt. J. R. Davies, were obtained to advise on the navigational requirements connected with the project with particular reference to reducing the estimated cost of the project. Captain Davies suggested some changes in the Alignment and reduction in the navigational aids. A provision of Rs. 22:14 lakhs was made in the Third Five Year Plan for further technical investigations relating to this project. After completing the studies, the Government of Madras submitted a revised estimate in May, 1963. According to them the cost of a canal which would take ships of 26 feet draft, would be Rs. 15:50 crores. In August, 1963, the Government of Madras submitted a fresh Report to meet the requirements of ships of 30 feet draft. The cost was estimated at Rs. 21.72 crores. The foreign exchange content was estimated at Rs. 4.50 crores.

7.3. In 1963, it was decided by Government that the Project should be included amongst items for Advance Action relating to the Fourth Five Year Plan and in December 1964, a High-Level Committee with Dr. Nagendra Singh, ICS, Secretary, Ministry of Transport, as its Chairman was constituted to take the necessary steps. The High-Level Committee, at its meeting on the 27th February, 1965, decided "that the first step was the preparation of Reliable Project Estimates and that all efforts should be concentrated towards the most expeditious preparation of these estimates." For this purpose, they decided that a competent Senior Engineer should be appointed as the Chief Engineer by the Central Government. It was also resolved that the Madras Government should immediately set up a Special Engineering Circle under a Superintending Engineer to assist the Chief Engineer in carrying out the investigations and studies and making the Project Report and Estimate. Accordingly, the Madras Government set up a P.W.D. Circle in April 1965 and the Central Government appointed Shri C. V. Venkateswaran as Chief Engineer in May 1965. At the instance of the High-Level Committee referred to above, the Government of Madras entrusted, to Shri R. Natarajan, IAS, the Project Officer, Sethusamudram Project, the work of collection of statistics of shipping traffic that would pass through the canal and other data, to estimate the revenue receipts and determine the economic viability of the Project.

7.4. In the Project Report, signed on the 10th May, 1968, Shri Venkataswaran has summarised the investigations and studies.

Some of the important conclusions/observations made in the Report are as under:—

(i) The Project is technically feasible. The most important question so far as technical feasibility was concerned was whether a long channel, 23 miles in length, dredged in the Palk Straits in open-sea conditions, could be maintained with a reasonable quantity of dredging or not. The factors affecting silting of the channel are:

- (a) the bed movement; and
- (b) the silting from the suspended silt settling down.

Both these aspects were studied, the former by radio-Active Tracers and the later by silt-charge and current observations and these have shown that silting will be small and the channel could be maintained with normal maintenance dredging.

(ii) Two alternative sites had been under consideration for the crossing, one at Mandapam and the other at Rameswaram. Both these were investigated and it was found that:—

- (a) the Mandapam crossing was somewhat difficult of execution owing to the very rough seas at the reef. The Rameswaram crossing is free from any such difficulty.
- (b) the length of Mandapam crossing was 24 miles and that of Rameswaram crossing is only 6 miles.
- (c) the estimate of cost for a scheme providing for 30 feet draft ships will be Rs. 37.50 crores for Rameswaram crossing and about Rs. 55.60 crores for the Mandapam crossing, showing a saving of Rs. 18.10 crores, in favour of Rameswaram crossing.
- (d) the extra cost of Mandapam crossing over Rameswaram crossing will be still more, if and when 32 feet and 35 feet draft ships are provided for.

Both from the point of view of cost and from the technical angle, the Rameswaram crossing was preferable, and its adoption was recommended.

(iii) It seems to be adequate, if the canal provides for 30 feet draft ships now. This can be increased to 32 feet later.

Further increase may or may not be necessary as practically all cargo ships are now below 32 feet and are likely to remain so for some long time to come. The question of increasing the draft can be decided in the light of experience in due course.

- (iv) Ships of all countries derive financial and other benefits, and this is, therefore, a fit case for enlightened International Aid.
- (v) The Project will be financially a paying one. If an International Aid or Government Grant could be obtained with an interest-free grace period of 7 years, from the start of construction, i.e., for the four years of the construction period and three years after the commissioning of the canal, the Project would pay from the next year onwards at the rate of 7 per cent on the capital and will still build up reserves, which would enable the complete repayment of the capital at the end of 28 years. Thereafter it would be building up further reserves.

7.5. In his Report (June, 1968) on Sethusamudram Ship Canal Project—Traffic/Projections and Cost-Benefit Appraisal, Shri R. Natarajan, the Project Officer, has come *inter alia* to the following conclusions:

- (i) The Sethusamudram Project is economically viable. Justifying an annual growth rate of 4 per cent, in comparison with the past, annual rate of growth in shipping traffic, growth of shipping tonnage, world and Indian, growth of world trade, increase of traffic at our major, intermediate and minor ports, growth of collateral sectors of transport, like road, rail and air, the pace of the industrial and agricultural development of the Sethusamudram region and ultimately, the growth of regional and *per capita* income, the Sethusamudram Canal Scheme will yield a gross receipt of Rs. 232 lakhs in 1974, when the canal will be commissioned, if sanctioned in 1969, at the rate of Rs. 1.50 per N.R.T. over a projected 155 lakhs of N.R.T. In other words, the Scheme will give a 4.3 or (say) 4½ per cent net return on the capital almost in line with the findings of the Dr. Ramaswami Mudaliar Committee. It will pay 7 per cent in the 11th year, 8½ per cent in the 15th year, 14 per cent in the 30th year and so on. If foreign aid or a Government grant can be obtained for an interest free grace period of seven years from the start of construction, namely, four years of construc-

tion and three years after commissioning, the Sethusamudram Project will ensure a 5 per cent return on capital and make further profits which will enable repayment of the entire initial capital outlay of Rs. 37.46 crores, together with the mid-investment of Rs. 6 crores on widening the canals to take two lane traffic in the 23rd year. The return will further rise in geometrical progression while there will only be marginal increases in the annual maintenance expenses of Rs. 70 lakhs.

- (ii) About 80 per cent of the gross earnings from the Sethusamudram Canal will be in the shape of foreign exchange.
- (iii) The canal will save on an average 360 nautical miles by way of distance and one day's voyage time or two days on round voyage, which will contribute to a saving of proportionate standing charges and an increase of net profit to the shipping interests.
- (iv) There will be an initial provision for a draught of 30 feet for the Sethusamudram Canal, with a lock designed for receiving ships up to 35 feet draught, straight way and built-in-to provision for raising the draught capacity to a higher level, should the requirements of the situation warrant it in the future.
- (v) The scheme is not only remunerative but will also be productive. The development of the Tuticorin Port and the Sethusamudram Canal Projects will stimulate the industrial potential of the Tuticorin-cum-Sethusamudram hinterland by providing for economical movement and easy export facilities leading to competitive rates in trade, greater profits and prosperity, with special reference to the most backward eastern portion of Ramanathapuram district. The living standards of the region will go up appreciably.
- (vi) The two banks of the Sethusamudram land canal will become an international tourist attraction, what with the consequent stimulation of activity and handsome income. Apart from the advantages that will accrue to foreign and Indian overseas shipping, the Sethusamudram Canal, with its saving of time and distance, will be a shot in the arm for coastal trade, by introducing economies in transport and making sea movement strikingly cheaper than a rail

movement of certain bulk commodities like coal, salt, cement and other items of general cargo.

7.6. It has been represented to the Committee by the Coastal Conference and the Indian National Steamship Owners' Association that "it is over 12 years now since the Committee appointed by the Government under the Chairmanship of Sir A. Ramaswami Mudaliar to examine and report on the feasibility of Sethusamudram project submitted its recommendations for its execution at an early date. The matter has been delayed in consequence of which estimates for construction have gone up. Several other committees, both technical and non-technical, have examined the proposition from different angles. It is now high time that the Government undertake the project without any further delay."

7.7. When the attention of the representative of the Ministry of Transport and Shipping was drawn to the observations made by the Committee on Transport Policy and Coordination (1966) that "The Sethusamudram Canal Project, which is expected to be taken up in the Fourth Plan, may have a significant impact on the cost of coastal shipping", the representative of the Ministry has stated during evidence as under:

"We will give due weight to that. That is a general statement. We have to go into the pros and cons and decide what will be its economics in terms of the new developments in shipping and in ports. Nowadays they are not worried so much about voyage time as about the time the ships spend inside the port. About 80 per cent of the time of the Liners is spent inside the ports."

7.8. Asked to state the present position in regard to Sethusamudram Canal Project, the representative of the Ministry has stated that "Apart from economic issues, some international issues are also involved and we have to consider them very carefully. We should see the number of ships which would in fact use the canal if it is opened. Canals are now fairly going out of fashion because the size of ships is increasing tremendously. We have asked the Shipping Corporation of India to make a thorough study of the trends in regard to various shipping services which pass along the southern coast—coastal and international—which in the present context would find it economical to use the canal if constructed. In the light of that study, we will further examine the report (of Shri Venkateswaran)".

7.9. The Committee enquired whether the Ministry have considered the question of strategic importance of the canal apart from its profitability since "in the absence of this canal, even our naval ships have to go *via* Colombo when they have to go from West to East Coast". The representative of the Ministry has stated: "We have referred the report to the Ministry of Defence to get their strategic appreciation about the advantages of the canal."

7.10. Asked to state whether at any point of time there was any objection from the Government of Ceylon to this Project, the representative of the Ministry has stated: "I cannot vouchsafe for back history. I will check up. As far as I know, there has been no problem because the problem has not been posed."

7.11. The following further question was put to the representative of the Ministry of Transport and Shipping during evidence: "When there is no protest from Ceylon, why do we assume that there is a problem and, under that assumption, the matter is being delayed." To this, the representative of the Ministry replied: "It is not being delayed. We are examining the report. We have asked the Shipping Corporation to indicate the economics of the Canal from the point of view of the number of ships that we will use, the type of ships and all that. As far as the economic side is concerned this is a matter which the Ministry of Transport will examine. Any political problem is not our business. From Defence side also, we will get the things examined. Then, we will prepare a paper which will go to the External Affairs Ministry and they will indicate if there is any political problem."

**7.12. The Committee note that the Sethusamudram Canal Project has been under the active consideration of the Government since 1955. Both the Chief Engineer and Consultant, Sethusamudram Project, and the Project Officer have, in their reports, observed that the Project is technically feasible and is economically viable. According to the latter, "the Sethusamudram Canal, with its saving of time and distance, will be a shot in the arm for coastal trade, by introducing economies in transport and making sea movement strikingly cheaper than a rail movement of certain bulk commodities like coal, salt, cement and other items of general cargo." The Committee also note that the Ministry of Shipping and Transport are at present engaged in the examination of the economic as well as international issues involved and that the Shipping Corporation of India has been asked to make a thorough study of the trends in regard to various shipping services which pass along the Southern Coast.**

7.13. In this connection, the Committee would like to invite the attention of Government to the recommendation made by them in para 47 of their 69th Report (Third Lok Sabha) on the Ministry of Transport: Vishakhapatnam and Tuticorin Ports. They hope that the matter will receive the urgent consideration of Government and will not be delayed any further.



## CHAPTER VIII

### MISCELLANEOUS

#### A. Konkan Coastal Shipping Services

8.1. The Committee have been informed by the Ministry that the Konkan Coastal Shipping services are at present being operated solely by the Chowgule Steamships Ltd.

There are 4 vessels at present operated by M/s. Chowgule Steamship Ltd., in the Konkan passenger service, their particulars being as follows:—

| Name of the vessel      | GRT  | Date of acquisition | Year of build |
|-------------------------|------|---------------------|---------------|
| (1) M.V. "Konkan Sewak" | 1876 | 1964                | 1964          |
| (2) M. V. "Sarita"      | 1889 | 1965                | 1965          |
| (3) H. V. "Rohini"      | 1889 | 1965                | 1965          |
| (4) T. T. S. "Rohidas"  | 1288 | 1966                | 1949          |

8.2. The schedule of service operated by the Chowgule Steamship Ltd. and the ports of call are as follows:

| Ports Touched        | Frequency of Service  |
|----------------------|---|
| Bombay/Panaji Line   | Bombay/Ratnagiri Musaka- Daily service. (The ser-<br>zi/Jaitapur, Vijadurg, Dev- vice is now operated<br>gad, Mailwan, Vengurla only for 6 days a<br>and Panaji- week.) |
| Bombay/Dabhol-Jaigad | Bombay/ Janjira, Shriward- 6 days a week.<br>dhan, Harnai, Dabhol and<br>Jaigad.  |
| Bombay/Malwan Line   | Bombay/Harnai, Palshet, Twice a week.<br>Tiwori Ratnagiri, Ram-<br>par Achra, Malwan.   |

The volume of passenger traffic (year-wise) since 1960-61 is given below:

|         |   |   |   |          |
|---------|---|---|---|----------|
| 1960-61 | . | . | . | 6,01,051 |
| 1961-62 | . | . | . | 6,07,731 |
| 1962-63 | . | . | . | 6,00,793 |
| 1963-64 | . | . | . | 6,27,177 |
| 1964-65 | . | . | . | 6,56,668 |
| 1965-66 | . | . | . | 6,11,858 |
| 1966-67 | . | . | . | 6,35,000 |

8.3. The Committee have been informed that out of the four vessels mentioned in para 8.1 above, the first three vessels were built by Chowgule Steamships in Yugoslavia while the "Rohidas" was purchased second-hand from the Scindia Steam Navigation Co. as stated above.

8.4. The economic life of a vessel is normally taken as 20 years. It will be seen that the first 3 vessels have a residual life of 16 to 17 years while the fourth one, being 19 years old, has almost run out its economic life.

8.5. The Shipping Company do not seem to have at present any proposal for the acquisition of vessels either by way of replacement or addition.

8.6. *Fares*: The Indian Coastal Conference have stated that fares of the Konkan Coastal Shipping Service were in existence since 1956 without any revision although the Rau Committee had recommended 15 per cent increase in the year 1960. The Shipping companies then operating this service strongly represented to the Government for increase in fares. The Government recently appointed a Committee under the chairmanship of Shri Govind Seth to examine the request for enhancement of fares. On the recommendation of this Committee the Government have granted an increase of 7 per cent effective from 6th May, 1968. The company has taken up this matter once again with the Government for consideration of the position.

8.7. The Committee note that of the four vessels operated by M/s. Chowgule Steamships Ltd., one vessel has almost run out its economic life and that the Shipping Company do not seem to have any proposal for the acquisition of vessels. From the statistics furnished, the Committee note that there is a high volume and an increasing trend in the passenger traffic on the Konkan Coastal Shipping Service. Keeping in view the growing volume of traffic.

the Committee suggest that Government may consider the feasibility of encouraging the tonnage on this service so that no inconvenience is caused to coastal traffic.

8.8. The Committee note that Government have recently granted an increase of 7 per cent in the fares of the Konkan Coastal Shipping Service with effect from 6th May, 1968 and that request for further revision of the fare is at present under consideration of Government. The Committee hope that while considering the request for revision of the fare structure, the Government will also keep in view the interests of the coastal passengers.

### B. Port Facilities

8.9. The Committee have been informed by the Indian Coastal Conference that at present steamers are being delayed and schedules get upset mainly because of the tidal difficulties at Panaji and inadequate water pressure of Ferry Wharf in Bombay. Three new ships of Chowgules are unable to call at Dabhol as the datum at Dabhol is as low as '6" against 16' available some 15 years back. There is no scope for improvement in service schedules unless proper dredging at the above mentioned ports is done.

8.10. The most serious drawback of the Konkan ports is the absence of alongside berthing facilities. With the exception of Dabhol, alongside berthing facilities are not available at any of the minor ports on the Konkan coast. Consequently ships have to lie at anchor at a considerable distance from shore and the embarkation and disembarkation of passengers have to be arranged through lighters. This causes hardships and inconvenience to passengers and also exposes them to some risk particularly during bad weather.

8.11. Another difficulty faced by almost all these ports is the problem of siltation both at the approach channels and the inner harbours, which often affects the turn-round and upsets the schedule of services.

8.12. Navigation aids such as guiding and boarding lights, anchorage buoys, etc., provided at the Konkan ports are stated to be inadequate. Hydrographic surveys of these ports and the publications of up-to-date navigational charts would also need to be geared up.

8.13. Lack of proper communication facilities between ports is a serious obstacle to the provision of a properly co-ordinated, efficient and economic system of steamer services. As a result, it is not possible to give timely advice to ports about cancellation of sailings,

late arrival of ships, availability of space for booking of passengers at intermediate ports, etc., which puts the passengers to avoidable hardship and trouble.

8.14. The Study Group of the Estimates Committee which visited Mormugao in June, 1968 found that Berth No. 1 of Mormugao Port has been rendered useless by the sunken Barge in the Berth.

The Committee have been informed by the Ministry of Transport and Shipping that the question of dredging the approach channels and harbours, wherever necessary, has already engaged the attention of the Central and State Governments. An expenditure of Rs. 1.1 crores has already been incurred on the new ferry wharf for coastal shipping at Bombay. Transit shed accommodation of 106 square metres for storage of 300 tonnes of cargo has also been provided. It has further been stated: "The facilities at the new ferry wharf under construction in Prince's Dock are intended mainly for passenger traffic. This complex will be commissioned in September, 1969. No specific cargo handling facilities are provided at existing ferry wharf site and hence none were planned at the new site."

As regards the sunken barge at Mormugao Port, the representative of the Ministry has stated during evidence:

"I have got a telegram this morning from the Port Trust saying—250 out of 650' length of berths 1 and 2 not operational due to sunken barge. Had given contract for its removal and salvage, but the contractor was unsuccessful. Alternative arrangements are being examined."

8.15. The Committee are glad to note that a new ferry wharf for coastal shipping is under construction and will be commissioned in September 1969. They are, however, unhappy that no cargo handling facilities are planned at the new site. The Committee consider that this should be done. They are also unhappy to learn that hardship and inconvenience is caused to coastal vessels and they are also exposed to risk during bad weather on account of serious drawbacks of the Konkan ports like the absence of alongside berthing capacity, siltation both at the approach channels and the inner harbours, inadequacy of navigation aids, lack of proper communication facilities and the shore facilities for the passengers. The Committee suggest that the Ministry of Shipping and Transport should review the whole position and take suitable measures in consultation with State Governments concerned, to remove the drawbacks of the Konkan ports as early as possible.

**The Committee note that there is much delay in removing the sunken barge from Berth No. 1 of Mormugao Port which causes obstruction to traffic. They hope expeditious action would be taken to remove the bottleneck.**

### **C. Passenger amenities**

8.16. It has been represented to the Committee that shore facilities for the passengers such as waiting sheds, water supply, latrines, lighting, etc. are far from satisfactory at many of the port on the Konkan Service. The provision of waiting sheds and the related facilities is very essential particularly in view of the fact that passengers embarking from wayside ports have often to wait for long periods before the arrival of the ships.

8.17. The Committee have been informed by the Ministry that for improving the supply of water to coastal passenger ships at Bombay Harbour a separate underground water storage tank of one lakh gallon capacity with pumping arrangement especially to serve the new ferry wharf has been constructed, which will improve the water supply at the new site considerably.

As regards facilities at Panaji Port, the Committee have been informed by the Ministry that Panaji Port is under administration of State Government and that no passenger facilities exist at present at Panaji Jetty. A new passenger shed with sanitary facilities is at present under construction which is likely to be ready within the next two months. It has also been stated by the Ministry that the provision of facilities at the Konkan Ports is primarily the responsibility of the State Governments.

**8.18. The Committee regret that there is lack of essential passenger amenities at many ports in the Konkan Service. They would urge that the Central Government may take up the matter with the State Governments concerned and persuade them to provide the necessary passenger amenities at Konkan ports.**

### **D. Andamans Traffic**

8.19. It has been stated that at present two passenger-cum-cargo ships and two cargo ships are plying between mainland ports of Calcutta/Madras and the Andamans & Nicobar Islands. Of these, one passenger-cum-cargo ships has got capacity for carrying 150 cabin passengers and 749 bunk passengers. The other passenger-cum-cargo ship has got capacity of 66 cabin passengers and 552 bunk passengers.

8.20. It has been stated that the Andaman Shipping Committee constituted by the Government of India (in 1964) recommended after thorough examination of the actual needs of the Andamans and Nicobar Shipping service, that Shipping Corporation of India should acquire a vessel for the Andamans passenger-cum-cargo service during the period till the new passenger-cum-cargo vessel on order by the Corporation for this service was available.

8.21. The Committee have been informed that no representation or complaints regarding passenger amenities in this sector have been received. The Andamans Administration is considering accommodation for passengers at Port Blair during the Fourth Plan period. The volume of passenger traffic year-wise since 1960-61 is given below:

|         |        |
|---------|--------|
| 1960-61 | 16,549 |
| 1961-62 | 19,128 |
| 1962-63 | 16,999 |
| 1963-64 | 18,508 |
| 1964-65 | 17,197 |
| 1965-66 | 20,629 |
| 1966-67 | 25,789 |
| 1967-68 | 41,552 |

8.22. Fare for unberthed passengers in the Andamans sector are Rs. 3.48 per 100 miles while the fare by passenger vessels plying on the Konkan coast are Rs. 8 to 12. The fare structure in the Andamans Sector are not cost based for the following reasons:

- (1) The strategic importance of the islands which makes it necessary for the Government of India to maintain their life line irrespective of the fact whether services are economic or not;
- (2) As Andamans has been declared a backward area, special considerations have to be shown in their case with a view to avoiding any additional financial burden on the local population;
- (3) The islands have to be developed and for that purpose it is necessary that transport facilities, particularly for labour class, should be as cheap as possible so that the natural resources of those islands can be fully tapped.

8.23. The question of reimbursement of losses to the Corporation and the opening of the branch office by the Shipping Corporation of India at Port Blair is under consideration of Government.

8.24. In so far as passenger fares are concerned, the question was recently reviewed by the Ministry and it was decided that only cabin/class fares should be increased by 50 per cent and that there should be no increase in regard to bunk class. The increased fares on Cabin Class were enforced with effect from the first April, 19668.

8.25. In the course of evidence the representative of the Ministry has stated that the Andamans Shipping Committee recommended that the losses incurred by the Shipping Corporation should be reimbursed by Government.

8.26. Asked what was the amount of loss that was being compensated by Government, the Ministry have stated in a note that the Andamans Shipping Committee had mentioned that the Andamans Services were bound to continue to show losses due to their developmental nature and had *inter alia* recommended:

- (a) reorganisation of the existing machinery for the operation of the Andamans services by entrusting complete control over the operation of shipping services to the Shipping Corporation and establishment of an office of the Shipping Corporation in Port Blair for the same purpose.
- (b) a review of the passenger fares which the Committee observed were rather low compared to those prevailing in other services;

8.27. It is estimated that the running of passenger ships alone is likely to result in a loss of at least Rs. 38 lakhs per annum. As regards cargo ships, no estimates are available but it is expected by the Ministry that the loss if at all will not be appreciable in their case.

8.28. It has been suggested in the report of the Shipping Committee for the Andamans and Nicobar Islands that the Directorate General of Shipping should examine the possibility of co-ordinating other services with the Andamans and Nicobar Shipping services to tide over the difficulties till the new ships which have been recommended by the Shipping Committee to be acquired by the Shipping Corporation are put into Commission.

8.29. Asked what steps have been taken to implement this suggestion of the Shipping Committee the Ministry have stated that with the introduction of another vessel viz. 'State of Bombay,' last year on this route, the requirements for passenger traffic, have been adequately met. Similarly in respect of cargo traffic, a new timber carrier M.C. 'Shopmen' was pressed into service last year. M.V. 'Nicobar' which was formerly a passenger-cum-cargo ship has been converted into a cargo ship. The two passenger ships (M.V. 'Andaman' and 'State of Bombay') are also capable of taking general cargo. The Ministry have informed the Committee that on the whole, the position both in respect of passenger as well as cargo traffic has considerably eased on this sector.

8.30. The Committee are glad to know that the position has eased on the Andaman sector. They however, suggest that coordination to solve any problems that may arise in the operation of these services should be achieved by constant liaison with the Directorate General of Shipping, Shipping Corporation of India and the Andamans and Nicobar Administration.

8.31. In view of the fact that volume of passenger traffic between main land ports and Andamans and Nicobar islands has been greatly increasing since 1964-65, the Committee hope that the Government will ensure that the machinery for the operation of the Andamans shipping is reorganised, and transit accommodation is provided at Port Blair as early as possible.

#### E. Training and Employment

8.32. It has been stated by the Ministry that there are at present no special arrangements for the education and training of seamen for Home Trade ships. At the time of establishment of the Seamen's Employment Offices at Bombay and Calcutta in the years 1954 and 1955, a large number of seamen who were then serving on the Home Trade vessels were allowed to get themselves registered with the Seamen's Employment Offices for service on Home Trade Ships by virtue of their past experience. It has been stated that since there has not been any substantial expansion in the number of Home Trade vessels the need for augmenting the supply of Home Trade seamen has not been felt during the past decade or so and occasional vacancies are filled up by seamen thrown out of the foreign going sector either as a disciplinary measure or for other reasons. In view of the small number of seamen employed on Home Trade ships from the ports of Bombay (about 1200), Calcutta (about 220) and Cochin (about 100), the more or less static condition prevailing in their employment prospects owing to the state of Home Trade industry and



the large number of seamen available for service on Home Trade ships, the Seamen's Employment Scheme as applicable to the foreign going sector has not so far been extended in full measure to the Home Trade Sector. Some of the provisions regarding the system of rotational employment, Provident Fund, Gratuity etc. have been made applicable to the Home Trade seamen. The medical examination scheme for foreign going seamen has not so far been extended to the Home Trade seamen, who are only examined by the company Doctors and not by the Seamen's Medical Examination Organisation as in the case of foreign going seamen.

8.33. The three Ratings Training Establishments run by the Government of India viz. T.S. 'Bhadra' Calcutta, T.S. 'Mekhala' Visakhapatnam and T.S. 'Naulakshi' Navlakhi, train deck and engine room ratings for foreign going vessels only. However, they have plenty of capacity for training additional ratings for employment on home trade vessels, if and when required. It has been stated by the Ministry that owing to the prevailing somewhat acute unemployment among Indian seamen on the foreign going sector, the intake of the Ratings Training Establishments has been reduced from the optimum capacity of 140 per month to 98 per month.

8.34. The Committee have been informed by the Ministry that in the field of welfare for seamen, no distinction is made between the seamen serving on the Home Trade or on the foreign going ships. The facilities for admission to the Seamen's Wards established at Bombay and Calcutta and the beds reserved in certain hospitals at other ports are equally available to the Home Trade seamen. Similarly, the Hostels and Clubs established for sea farers at the various ports admit the Home Trade seamen without any discrimination. There are modern clubs for the stay of mercant navy officers at the ports of Bombay, Calcutta and Madras. There are proposals to establish similar clubs at Kandla, Cochin and Visakhapatnam in the next year or two.

8.35. As regards training facilities for officers, there are at present three training institutions as follows:—

- (1) T.S. "Dufferin", Bombay. This ship offers training facilities for an annual complement of 80 cadets, who want to serve on board ships, as navigating officers.
- (2) DMET,\* Calcutta/Bombay. This establishment provides training facilities for 100 engineering apprentices every year.

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\*Directorate of Marine Engineering Training.

- (3) Lal Bahadur Shastri Nautical & Engineering College, Bombay. This college offers post-sea instructions in navigating and engineering and prepares the candidates for Ministry of Transport and Shipping examination.

8.36. The T.S. "Dufferin", Bombay and DMET, Calcutta/Bombay which are pre-sea training institutions, provide training facilities for officers seeking employment on foreign going ships. It has been stated by the Ministry that these officers generally do not like to sail on home trade ships which offer comparatively lower scales of pay and conditions of service. The demand for officers personnel of Home Trade ships by and large is met by the ships themselves by accepting direct entry cadets who by virtue of their sea experience in due course become eligible for MOT examinations for the certificate of competency as Home Trade Officers.

8.37. Under the Merchant Shipping Act, 1958, the term "Home-Trade ship" is defined as a ship not exceeding 3000 tons gross, which is employed in trading between any port or place in India and any other port or place on the continent of India or between ports or places in Ceylon, Maldiv Islands, Federation of Malaya, Singapore or Burma. These provisions therefore require big coastal ships to employ floating staff holding certificates of competency as foreign going officers. The Committee have been informed by the Ministry that as the number of small Home Trade ships is gradually declining due to their scrapping without replacement, the demand for Home Trade Officers has shown a reduction and the need for providing special arrangements for their training has therefore not been felt and the industry itself is able to provide adequate in training facilities to meet its own requirements.

8.38. The Committee have been informed that on the 1st July, 1967 Government of India appointed a Technical Committee to study and Report to the Government (i) on the system of training and examinations of the merchant navy officers with regard to modern practices and (ii) the implementation of the recommendation No. 39 of the International Convention on Safety of Life at Sea, 1960. The Technical Committee submitted their report to the Government in March, 1968 in which they have made several recommendations. The report is still under examination of the Government.

8.39. The Committee note that in the field of welfare for seamen no distinction is made between the seamen serving on the Home Trade or on the Foreign-going ships. They are, however, unhappy that the Seamen's Employment Scheme as applicable to foreign-

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going sector has not so far been extended in full measure to the Home Trade Sector. They suggest that Government may examine the feasibility of extending this scheme in full to the Home Trade seamen.

8.40. The Committee note that there are at present no special arrangements for the education and training of seamen for Home Trade Service and that the industry itself provides training facilities to meet its own requirements. They fail to see why the three Rating Training Establishments should not undertake training of personnel for the Home Trade Sector also, especially when they have capacity to train a large number of ratings. The Committee feel that, with the acquisition of new vessels for coastal shipping, there will be increased demand for trained personnel to man them. They suggest that the requirements of Deck and Engine Room Ratings for the Home Trade Vessels during the next five years may be worked out and arrangements made for their training in the existing Rating Training Establishments run by the Government of India.

8.41. As regards the training of officers for the Merchant Navy, the Committee note that the Technical Committee set up by the Government of India has submitted its report in March 1968 and it is under examination. The Committee hope that early action will be taken to augment the training facilities for the officers of the Merchant Navy in the existing training institutions in the light of the recommendations made by that Committee.

NEW DELHI;  
 March 19, 1969.  
 Phalguna 28, 1890 (Saka).

P. VENKATASUBBAIAH,  
 Chairman,  
 Estimates Committee.

## APPENDIX I

(Vide para 2.21)

*Detailed statement showing the particulars of loans sanctioned by the SDFC since for 1963 the acquisition of coastal, tonnage.*

| Sl. No. | Name of company                   | Amount of loan sanctioned<br>Rs. | Date of sanction | Vessel/s acquired with the aid of loan | GRT of vessel        | Security percentage of loan amount | Period of amortisation | Rate of interest        | Remarks   |
|---------|-----------------------------------|----------------------------------|------------------|--|----------------------|------------------------------------|------------------------|-------------------------|---|
| 1       | 2                                 | 3                                | 4                | 5                                      | 6                    | 7                                  | 8                      | 9                       | 10  |
|         | <b>PRIVATE SECTOR</b>             |                                  |                  |  |                      |                                    |                        |                         |   |
| i       | M/s Rajkumar Lines Ltd., Bombay   | 17,00,000                        | 30-9-64          | KR Ashok                               | 3923                 | 133½%                              | 4 years                | Please see remarks col. | 8% p.a. interest is however, recovered @ 3% p.a. if the loan instalments and interest are paid on the due dates and the company is not at default with any of the terms and conditions of the loan agreement. |
| 2       | M/s Africana Co.(P)Ltd., Bombay.  | (i) 11,00,000                    | 17-5-63          | Sagar Geeta                            | 2175                 | 133½%                              | 6 years                | 2 year moratorium       | Do.   |
|         |                                   | (ii) 15,52,000                   | 13-1-64          | Sagar Sudha]                           | 1915                 | 133½%                              | 8 years                | 2 year moratorium       | Do.   |
| 3       | M/s Chowgule Steamships Ltd., Goa | 172,44,000                       | 27-7-63          | Kokan Sevaks Sarita Rohini             | 1876<br>1889<br>1889 | 133½%                              | 18 years               | 2 year moratorium       | Do.   |

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## PUBLIC SECTOR

|   |   |                 |         |                                      |      |      |                            |   |
|---|---|-----------------|---------|--------------------------------------|------|------|----------------------------|---|
| 4 | M/s Shipping Corpn. of India Ltd., Bombay | (i) 96,30,000   | 5-10-67 | Ongc                                 | 1560 | 100% | 18 years—2 year moratorium | 8% p.a. interest is however, covered @ 3% p.a. if the loan instalments and interest are paid on the due dates and the company is not at default with any of the terms and conditions of the loan agreement. |
|   |   | (ii) 141,75,000 | 6-3-68  | Vessel being built in Yugoslavia     | 1200 | 100% |                            | Do.   |
| 5 | M/s Mogul Line Ltd., Bombay               | 115,80,000      | 30-9-64 | One bulk carrier built in Yugoslavia | 9500 | 133% |                            | Do.   |

## APPENDIX II

(Vide para 4.22)

Record Note of discussions held in the room of Secretary Coordination, on 12-8-1964 to review the scheme of subsidy on coal movement by rail-cum-sea route.

Present:

*Deptt. of Coordination (Min. of Finance)*

Shri S. Bhoothalingam

Dr. Ajit Mozoomdar

Shri M. S. Sundara

*Deptt. of Expenditure (Ministry of Finance)*

Shri K. L. Ghei

Shri H. N. Ray

*Deptt. of Mines & Metals*

Shri N. C. Shrivastava

Shri Chhedi Lal

Shri S. O. Gugnani

*Ministry of Transport*

Dr. Nagendra Singh

Shri B. P. Srivastava

Dr. V. G. Bhatia

*Railways*

Shri S. Jagannathan

Shri Kripal Singh

*Planning Commission*

Shri K. L. Luthra

The note prepared by the Department of Mines and Metals on the scheme of subsidy on the coal moved by rail-cum-sea route was discussed. Opening the discussion, Secretary, Deptt. of Mines and Metals, outlined the trend of rail-cum-sea movement of coal. During the first four months of 1964-65 the order of movement had come down to about 1.4 million tons (annual), a number of consumers in Southern and Western India having stopped taking coal

by sea. Some of the cement and chemical factories had switched over to the use of Oil. Shri Shrivastava further stated that the N.D.D.C. has developed a capacity of 1.6 million tons in Talchar Coal fields and were currently producing only 0.6 million tons. Supply of 0.3 million tons to the South India from these coal fields was, therefore, possible. Shri Kripal Singh stated that it would be possible to increase movements from the Singareni collieries to the South from 1966 onwards. It was also stated that the selected grades constituted only 20% of the Railway coal moved by sea with the result that substantial grade I coal was being moved from West Bengal coal fields. Referring to the World Bank Report on rail-cum-sea movement of coal, Financial Commissioner, Railways pointed out that if the costs of transport from the ports to consuming centres were taken into account the overall costs of rail-cum-sea movement would indeed be high. Further, the World Bank Team had studied the economics of movement with reference to the Bengal/Bihar area. A more accurate comparison would be with reference to the actual fields—may be the outlying fields—from where the supplies could be made. He was of the view that the Railways could take by the rail-cum-sea route, at least 25 per cent less than what they have been receiving at present.

Dr. Nagendra Singh stated that coal formed a very important part of coastal shipping at present and that coastal shipping was such that it could not be built up in a short period. Any reduction in the present movement of coal by sea would render substantial shipping capacity idle. He urged that a long term view of the problem be taken. Besides, the World Bank Report had categorically stated that sea movement of coal would be economical with the use of Haldia Port and specially designed colliers. It was pointed by Dr. Bhatia that according to the World Bank Coal Transport Study Team substantial quantities of coal would have to move to Southern and Western India, from West Bengal-Bihar coal fields in the IV plan. It was pointed out on behalf of the Deptt. of Mines & Metals that the production pattern envisaged by the Ministry was totally different from that referred to in the World Bank Report. According to them it would be possible to meet the requirements of consumers from the adjacent coal fields. Only a small quantity of about one million tonnes of coal may have to move from the Bengal/Bihar area and this too only of the selected grades.

Shri Luthra suggested that a study be made on the future pattern of production and consumption of different grades of coal with special reference to requirements in Southern and Western India, as the World Bank Team had not gone into this aspect. He was also

of the view that the report of the Committee on Transport Policy and Coordination which was expected within a couple of months should be awaited. He further expressed the opinion that curtailment of sea movement of coal would prejudice the case of Haldia port. Shri Ajit Mozoomdar felt that Haldia port would take at least 5 years to be constructed and that there was no necessity to continue the present uneconomic movement of coal by sea up to that time. As regards coastal vessels, a good number of them were due for scrapping during the next few years and a number of them had also been diverted to overseas trade. If replacements were staggered suitably there would be no idle shipping capacity. It was necessary however, to have detailed information regarding the programmes of replacement of coastal vessels during the next few years to assess reasonably accurately the impact on shipping of a reduction of the rail-cum-sea movement of coal.

On a query by Secretary (Coordination) Dr. Nagendra Singh confirmed that no new colliers would be acquired apart from the four already on order.

The following conclusions were broadly agreed to:

- (i) Consumers should not be compelled to take coal by the rail-cum-sea route;
- (ii) There should be no further ordering of colliers;
- (iii) There should be a study by the Deptt. of Mines & Metals or the area-wise pattern of production and consumption to estimate the quantity of coal that would have to move from Bengal/Bihar coal fields to areas in Southern and Western India.

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CHIEF MINING ADVISER RLY. BD. DHN C/COLCOMER CCC  
 OPERLY CCC TRAFFERLY CCC BABCRY BB TRAFFIC MAS  
 DEGESHIP BB DY DIRECTOR RAIL MOVEMENTS MGS  
 NO 64/FUEL/117/2 AAA BOARD DESIRE THAT SUPPLY OF  
 LOCO COAL TO WRLY BY SEA SHOULD BE TOTALLY STOP-  
 PED AND ALL COAL SUPPLIES ACCOUNT WRLY FROM  
 BENGAL AND BIHAR SHOULD MOVE BY ALLRAIL ROUTE  
 AAA AMEND SHIPMENT PROGRAMME FORTHWITH AA WIE



COLCOMER REQUESTED NOT TO PROGRAMME ANYMORE  
COLLIERS TO WRLY AAA COLCOMER WILL ALSO ENSURE  
THAT SHIPMENT OF LOCO COAL IS CONFIRMED TO ONLY  
96000 TONNES PER MONTH TO SRLY FROM NEXT MONTH  
AAA ERLY MAY CONTINUE TO GIVE SHIPMENT COAL AC-  
COUNT WRLY MAY CONTINUE TO GIVE SHIPMENT COAL  
ACCOUNT WRLY AT KP DOCKS IF NECESSARY UNTIL END  
OF CURRENT MONTH BUT FROM SEPTR NEXT ALL SHIP-  
MENT COAL FOR WRLY SHOULD BE DIVERTED AND MOVED  
VIA ALL RAIL ROUTE IN ANTICIPATION OF NECESSY  
AMENDMENT TO PROGRAMME BY CHIEF MINING ADVISER  
AAA

RLYS

## APPENDIX III

(Vide para 4.22)

(i)

### MINISTRY OF TRANSPORT

In connection with the transportation of salt to Calcutta to meet the urgent requirements there, the Minister for Transport had convened a meeting on 2/9 of salt owners, and shipowners in the Board Room of the Calcutta Port Commissioners to have all aspects of salt transportation discussed. The problems which had affected the prompt loading of salt in Calcutta were discussed at length and certain suggestions relating to incentives were made to attract the labour to expeditiously discharge this cargo. However, in respect of *sea transport arrangement*, there were difficulties brought to the notice of the Minister consequent on the sudden action taken by the Railway Board to stop coal movement for Saurashtra ports for Western Railway. A telegram had been issued by the Railway Board in this connection which was placed before the Minister. The remarks of the Minister on the telegram are reproduced below:—

“Seen. The Railway Ministry may be informed that this decision would seriously affect and paralyze coastal shipping and would also completely hinder salt movements from West Coast to East Coast (Calcutta). Coastal shipping was ordered to lift 2 m. tons of coal originally under Cabinet orders on certain definite assurances. Cabinet decision cannot be upset or reversed unilaterally by Railways. Any such decision would be most inadvisable and unfortunate in view of enormously higher targets of coal production proposed for 4th Plan, which Railways alone can hardly serve.”

The agenda of the meeting which was convened in Calcutta can be seen at S. No. (2). The telegram of the Railway Board is at S. No. (1). The Minister of Transport has asked me to have a discussion with the Railway Board so that the latter may permit if not 5 ships at least 3 coal ships to continue to take coal for the Western Railway so that the return journey could be with salt. If this is not done, the shipowners will immediately ask for a higher freight for lifting salt from Saurashtra ports as this will involve ballasting. If

we refuse their demand, the entire salt supply to Calcutta will have to be met from Tuticorin. This is not possible because the total requirement of salt for Calcutta is of the order of 3.75 lakh tons per year. Of this quantity, 1 lakh is supplied from Tuticorin and 2.75 lakh from Saurashtra ports. The salt manufacturers have asked for 5 ships per month. Even if 3 colliers are permitted to take coal to Saurashtra ports, we will manage the balance of the ships on the basis of general cargo constituting the return cargo. It is, however, not possible to provide return cargo other than coal for all the 5 ships. As it is not the intention to have a sudden increase in the price of salt in Calcutta, we would request the Railway Board to continue the employment of colliers for Saurashtra ports to the extent of at least 3 ships per month. At the meeting convened in Shri Boothalingam's room, it was agreed that the existing position may be allowed to continue. The decision was not to terminate suddenly the employment of sea transport for coal to Southern and Western Regions of India. Though it is admitted that no compulsion was to be used on any shipper, I do not think it was the intention to substantially reduce the coal cargo all of a sudden. If this is to be done the Transport Minister would like the case to be placed before the Cabinet. We would accordingly urge the Railway Board to allow the existing arrangements to continue for some time at least. I hope this aspect of the matter will be examined since the problem posed now merits serious consideration. We shall be grateful for the consideration of the Railway Board.

Sd/- NAGENDRA SINGH,  
5-9-1964.

Ministry of Railways (Railway Board)  
(Shri Kripal Singh)

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Ministry of Transport U.O. No. 704/SS/64 dt. 5-9-64.

(ii)

GOVERNMENT OF INDIA  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

I. The issue raised in the Ministry of Transport, U.Os. No. 704/55/64 dated 5-9-1964 and No. 2077-DS (MM) 64 dated 7-9-1964, has to be considered in the following context:—

- (1) The Cabinet Committee's decision to move an additional one million tons of loco coal a year by the sea route to

Madras, Kerala and Western India from the Bengal and Bihar coal fields was taken in March 1961 when in view of the transport bottleneck at Moghalsarai, rail movement of coal in that direction could not exceed 1900 wagons per day till July, 1961, and 2100 wagons per day thereafter for a year or two. It was thus a measure to ease the burden of the Railways in the matter of coal transport which they were not able to bear fully rather than a measure to find extra freight for coastal shipping.

- (2) The Cabinet Committee had also decided that as a long term measure in the Third Five Year Plan period, the coalfields outside the Bengal and Bihar area should be developed to the maximum extent possible, that coal for Western India should move by rail from Central India coalfields and Pench and Chanda as far as possible, supplemented by sea movement, and that it should not have to move over the many hundreds of miles longer rail route from Bengal and Bihar coalfields to Maharashtra and Gujarat.
- (3) With a view to implement the Cabinet decision to supply coal for Western India from Central India and Pench and Chanda coalfields as far as possible, Railways have reduced their annual offtake of loco coal from the Bengal and Bihar coalfields to the extent of about 0.71 million tonnes since 1961. This amount of coal is now being supplied to Western India Railways from the Central India and Pench & Chanda coalfields. Similarly, the annual supplies to the Southern Railway from the Bengal and Bihar coalfields have been reduced by 0.24 million tonnes, which quantity is now being supplied to the Southern India Railways from the Singareni coalfields.
- (4) As a result of progressive dieselisation, annual loco coal consumption on the Western and Central Railways has been reduced by 0.45 million tonnes. Reduction on the Southern Railway for the same reason has been about 0.1 million tonnes.
- (5) In March, 1961, when the decision to move an additional one million tons of coal from Bengal and Bihar coalfields to South India and West India ports by sea was taken, the target for rail movement of coal in the last year of the Third Plan was 95 million tons. At the time of the mid-term reappraisal of the Third Plan, this target was revised

to 86 million tons and this has now been further revised to only 76 million tons. The result is that a lot of movement capacity for coal on the Indian Railways, both from the Bengal and Bihar coalfields as well as the outlying coalfields, is lying unused and the big investment made in developing this capacity is yielding no return. The total originating tonnage on the Indian Railways, which in 1961 was anticipated to be 265 million tonnes was at the time of reappraisal of the Third Plan revised to 245 million tonnes and it has now been revised to 225 million tonnes. This reduction in total transport demand on Railways has also resulted in some rail movement capacity being rendered surplus.

- (6) In the actual implementation of the above sea movement scheme, the average number of colliers utilised for loco coal per month for Western India has been as follows:—

| Year                      | Bombay port | Saurashtra ports |
|---------------------------|-------------|------------------|
| 1961 . . . . .            | 2.25        | 1.125            |
| 1962 . . . . .            | 2.7         | 2.0              |
| 1963 . . . . .            | 1.75        | 2.0              |
| 1964 (upto end of July) . | 0.14        | 0.7              |

- (7) At the meeting convened by the Secretary, Economic Co-ordination, Ministry of Finance, on 12th August 1964 to review the scheme of coal movement by rail-cum-sea route, it was agreed that—

- (i) Consumers should not be compelled, to take coal by the rail-cum-sea route;
- (ii) There should be no further ordering of colliers; and
- (iii) There should be a study by the Department of Mines and Metals on the area-wise pattern of production and consumption to estimate the quantity of coal that would have to move from Bengal and Bihar coalfields to areas in Southern and Western India.

(The view expressed by the Department of Mines and Metals at this meeting was that "only a small quantity of about one million tonnes of coal may

have to move from the Bengal & Bihar area and this too only of the Selected grades.”).

II. It would be seen from what has been stated above that even before the Ministry of Railways had issued any instructions on 26th August, 1964, stopping the movement of loco coal from Bengal and Bihar coalfields to Western India ports by the rail-cum-sea route, the movement to the Bombay port and the Saurashtra ports during the first seven months of 1964 had come down to an average of 0.14 and 0.7 colliers per month respectively. Substantial reductions in the offtake of loco coal from Bengal and Bihar coalfields for Western India had been made in implementation of the Cabinet's decision. Also progressive dieselisation had reduced the consumption of coal on Western India railways. As such, it is not understood how the stoppage of the small quantity of loco coal movement by the rail-cum-sea route for Bombay and Saurashtra ports could have so adversely affected the coastal fleet utilisation or the movement of salt from Saurashtra ports to Calcutta as to warrant the protest made by the coastal operators. The movement of loco coal to Bombay during the first seven months has been almost negligible being only 0.14 colliers per month and the non-utilisation of an average of 0.7 collier per month for loco coal for Saurashtra ports should also not cause any serious repercussions.

III. However, despite the decision arrived at in the Co-ordination meeting on 12th August that consumers should not be compelled to take coal by the rail-cum-sea route, the Ministry of Railways have with a view to help the Ministry of Transport, re-ordered the movement for some time more of loco coal to Saurashtra ports to the extent of one collier per month, which is about 50 per cent higher than the movement to these ports during the first seven months of 1964. This one collier plus about one collier of public coal plus 2 steamers which the Transport Ministry is arranging on the basis of general cargo, constituting the return cargo, should suffice for the movement of 23,000 tonnes of salt required to be moved to Calcutta per month from Saurashtra ports.

It is regretted that no loco coal supply by the rail-cum-sea route is acceptable for Bombay port where there have been serious difficulties in unloading such coal on account of the “go-slow” policy of the Coal Crane drivers. As a matter of fact, in a meeting held at Bombay between the Senior Dy. Director General of Shipping, Chairman, Bombay Port Trust and the representatives of the Coastal operators on 20th January 1964, it was decided that no loco coal should be programmed for Bombay until further advice.

Similarly, so far as the Southern Railway is concerned in view of more coal now being taken from the Singareni collieries and also loco coal consumption having gone down as a result of diesellisation of some of the broad and metre gauge sections, it is regretted that it is not possible to take more than about 96,000 tonnes of coal by the rail-cum-sea route. In fact, as more diesels come to that Railway, this figure may come down by another 8 to 10 thousand tonnes per month.

The Railways have also no doubt that they will be able to provide adequate transport capacity for the movement of coal as planned in the IVth Plan.

Sd/- KRIPAL SINGH,  
10-9-1964.

Ministry of Transport (Dr. Nagendra Singh)

Ministry of Railways (Railway Board)

U.O. No. 64/Fuel/117/2 dated 10-9-1964.

## APPENDIX IV

(Vide para 4.29)

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

No. 67/Fuel/117/1

New Delhi, dated 18-5-1968.

### OFFICE MEMORANDUM

SUB:—*Movement of coal by rail-cum-sea route—Requirements during the period 1968-69 to 1971-72.*

The undersigned is directed to state that the present requirements of Railway coal to be moved by coastal shipping stand at 50,000 tonnes per month and Railways' policy for the year 1968-69 on this subject has already been explained by the Railway representative in the Inter-Departmental Meeting held on 24th February, 1968 at Bombay. The Railways have further reviewed their requirements on a long term basis in view of their line capacity and have decided to move this quantity of 50,000 tonnes per month by coastal shipping till 1971-72. Out of this quantity of 50,000 tonnes, 25,000 tonnes per month should move to Tuticorin port and the balance of 25,000 tonnes p.m. should move to Saurashtra ports (Bhavnagar/Navlakhi). In addition, the Ministry of Transport and Shipping should ensure movement of one ship load per month of Industrial coal to Saurashtra ports by rail-cum-sea route.

It is accordingly requested that the Ministry of Transport and Shipping should make suitable arrangements for ensuring movement of coal by rail-cum-sea route to the full extent indicated above.

The receipt of this Office Memorandum may please be acknowledged.

Sd/- M. SRINIVASAN,  
for Secretary, Railway Board.



To

The Secretary,  
Ministry of Transport & Shipping,  
(Transport Wing), Transport Bhawan,  
New Delhi.

No. 67/Fuel/117/1

New Delhi, dated 18th May, 1968.

Copy forwarded for information and necessary action to:

1. The Director-General of Shipping, Ballard Estate, Bombay with reference to his D.O. letter No. 10-LCS (12)/68, dated 4th and 6th March, 1968.
2. The Coal Controller, 1-Council House St., Calcutta.
3. The General Manager, Southern Railway, Madras.
4. The General Manager, Western Railway, Bombay.
5. The Divisional Commercial Supdt./Sea-Borne Coal, Eastern Railway, Calcutta.
6. The Chief Mining Adviser, Railway Board, Dhanbad.

Sd/- M. SRINIVASAN,  
for Secretary, Railway Board.

## APPENDIX V

### *Summary of Recommendations/Conclusions contained in the Report*

Sl. Reference to para Summary of Recommendations/Conclusions  
No. No. of the Report.

| 1  | 2     | 3   |
|----|-------|---|
| 1. | 1.18. | The Committee are of the view that the Railway transport system is susceptible to the vagaries of floods and could be dislocated during war or due to other reasons. It is, therefore, essential to have a coastal fleet which can play a supplementary role in the transport system of the country in normal times and which will have to shoulder crucial obligations during any emergency.   |
| 2. | 2.12. | The Committee note the functions of the Directorate General of Shipping in regard to the operation and development of coastal shipping. They are glad that although the Director General, Shipping has statutory powers in relation to the effective employment of the coastal shipping tonnage, the rarely uses such powers and uses his good offices with the shipping companies for the purpose. The Committee hope that this cooperation will lead to practical enforcement of rules. |
| 3. | 2.17. | The Committee feel that the recommendations of the National Shipping Board and its sub-committees have not been given the serious consideration that they deserve. The Committee hardly see any justification for referring problems to the National Shipping Board for examination and report if their recommendations are not to be implemented with expedition. The  |

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Committee hope that Government will promptly initiate action to implement those recommendations contained in the last report of the National Shipping Board (August, 1968) which have already been accepted by the Ministry of Shipping and Transport.

4. 2.24.

The Committee note that the Shipping Development Fund Committee provides financial assistance to Indian Shipping Companies for the acquisition of coastal and overseas tonnage and no distinction is made as between the coastal and overseas shipping in the terms and conditions. They are, however, unhappy to note that, although the fund is there, no application has been received from coastal shipping companies for the grant of loans. The Committee would like the Government to examine the reasons for this poor response from the coastal shipping companies in regard to loan assistance from the Shipping Development Fund Committee and review the terms and conditions of loans to make them attractive.

5. 2.32.

The Committee note that "No specific machinery for coordinating between the Conference and the Government has been set up." They feel that it is desirable to have a more intimate coordination between the Conference and the Government Organisations so as to cut down delays and for the quick understanding and solution of the problems that arise with regard to coastal shipping. They hope that apart from **periodical meetings**, the feasibility of introducing a suitable machinery for the purpose will be considered by Government.

6. 2.38.

The Committee are of the view that a long range examination should be made to find out how best to secure for the coastal fleet fuller utilisation of ships, provision of regular service,

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- improvement in operational efficiency and also economies in capital cost and operational expenses. They hope the Government will give this matter full consideration in consultation with the Indian Coastal Conference and secure the largest measure of agreement in coming to a final decision in the matter of setting up of a Corporation of Coastal Shipping Companies or any other suitable organisation.
7. 3.18. The Committee need hardly emphasise the imperative necessity of maintaining adequate tonnage not only for the purpose of regular movement of cargo like coal, salt, cement, food-grains, etc. along the coast but also for the defence of the country with a coast line extending over 3,000 miles. The coastal fleet is a second line of defence during emergencies like war, floods, famine, etc. Besides the requirement of tonnage for the movement of cargo from coast to coast, there is also a pressing need for providing adequate tonnage for movement of coal to Colombo and rice from Burma besides seasonal movement of commodities to adjacent countries.
8. 3.19. The Committee consider it unfortunate that during the last so many years, the Government have not shown the necessary interest in developing coastal shipping in India as it should have done. Several Sub-Committees of the National Shipping Board and other Committees and Study Groups appointed from time to time have repeatedly stressed the importance of maintaining coastal tonnage at an adequate level but very little has been done to implement the recommendations made year after year in this behalf. The Committee feel that unless prompt and effective steps are taken for the rehabilitation of the coastal fleet, the situation may become serious imperilling the economic and other interests of the country.
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9. 3.20. The Committee would urge that a thorough examination of the recommendations made by the Study Group which submitted their report in April, 1968, as also other important recommendations made in the past by Sub-Committees of the National Shipping Board should be made and expeditious action taken to implement them.
10. 3.21. In order to improve the position and to achieve the target of tonnage set down, it is necessary not only to replace the old and over-aged ships at present plying on the coastal trade but also to augment the tonnage by acquiring new ships. The Committee are glad that efforts are now being made by Government for acquiring ships from abroad by giving financial assistance. They feel assured by the statement of the Minister of Transport and Shipping in Parliament that the expansion programme of the shipping industry will not be allowed to suffer on account of the difficulty in releasing free foreign exchange for down payment in all cases of acquisition of ships. The Committee hope that Government will examine the pattern of financing purchase of vessels at the most economic price wherever available.
11. 3.24. The Committee are surprised to learn that no perspective plan for the development of coastal shipping has been drawn up either by the Ministry of Shipping and Transport or by the Planning Commission. This is all the more regrettable in view of the fact that even in January, 1966, the Committee on Transport Policy and Co-ordination in their Report had clearly enunciated that:
- “... the future role of coastal shipping has to be considered in relation to its overall national and strategic importance. Coastal Shipping has a certain basic importance for a country like India with its geographical position and its
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long coast-line. In times of emergency, coastal shipping may have a special role in national defence and economic strategy."

That Committee observed further:

"While these aspects deserve to be given weight in considering the future development of coastal shipping, an essential determinant of the place of coastal shipping as part of an integrated transport network in the country is its comparative economics in relation to other modes of transport".

In these circumstances, the Committee cannot over-emphasise the importance of having a perspective plan for the development of coastal shipping taking a broader view of the entire picture in the country and the lines on which it will develop in coming years.

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3.39.

The Committee regret to note that, as admitted by the Ministry, "no specific assistance is being rendered by the Government for ship repair facilities to Indian Coastal Shipping." Moreover, the major ports have developed ship repair facilities only for their own craft and it is only the excess capacity available which is given to other ships. It is unfortunate that the ship repair firms, which were addressed by the Government to submit their proposals for modernisation and reorganisation, have not responded so far and the matter is still under consideration of the Government. The Committee would like the Government to make serious efforts to finalise these matters at an early date in consultation with the authorities concerned so that the urgent need of developing ship repair facilities is met at the earliest possible time. It should be appreciated that longer the time taken to repair vessels, the greater would be the losses and difficulties.

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| 13. | 3.40. | With regard to the question of giving exemption to goods (spare parts) in bond from excise duty, the Committee desire that in order to facilitate the flow of spare parts and to remove whatever impediments there are now, the Ministry of Shipping and Transport should follow up the matter with the Ministries of Industrial Development, Internal Trade and Company Affairs and Finance expeditiously. The Committee would like to be informed in due course about the progress made in the matter. |
| 14. | 3.41  | As regards encouragement to indigenous industry, the Committee are glad to note that no import is allowed to spares which are available indigenously. The Committee suggest, however, that the normal policy of the Government to encourage domestic production, even though at a higher price and the giving of price preference to local manufacturers should be continued in order to encourage Indian firms to manufacture products needed for ship-repairing industry.                              |
| 15. | 3.42. | The Committee are glad to note that a Cell has started functioning in Calcutta which will codify and categorise the various items of marine equipment, lay down priorities for their indigenous production and provide detailed technical data, drawings and specifications to the prospective manufacturers. The Committee hope, after studying the working of this Cell for sometime, the necessity and feasibility of setting up similar cells in other places will be examined.                      |
| 16. | 3.43. | The Committee are glad to note that the Government have set up the Standing Committee for Ship-building, Ship-repairs and Ship-ancillaries. They hope that assistance of this body will be sought whenever necessary and it will be ensured that matters, referred to it, are not unduly delayed.  |

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| 17. | 3.44. | <p>The Committee hope that the Government will take all necessary steps to avoid complaints regarding inordinate delay in the repairs of ships in India and take concerted measures to bring down the cost of ship repairs. In order to keep the coastal fleet which has already dwindled to a great extent, at a proper level of tonnage, the need for an efficient ship repairs structure covering all the major and eventually the minor ports in India cannot be over-emphasised.</p>  |
| 18. | 4.37. | <p>The Committee need hardly point out that coal is the most important single commodity in the coastal traffic in India and wherever there is a comparatively small quantity of cargo to be carried, it has to be supplemented by coal to provide balanced traffic. In fact coal is the king-pin in the cargo movement around the coast.</p> <p>The Committee note that a decision to increase the movement of coal by rail-cum-sea route from 1 million tonnes to 2 million tonnes per annum to Southern and Western India both on account of Railways and Industry was taken by the Cabinet Committee in March 1961, but later the decision was modified at an inter-departmental meeting held on 18.8.1964. The Committee feel that in a matter like this, where the interests of the Railways and Coastal Shipping clashed, it would have been proper to place all the facts before the Cabinet Committee for their decision. From the facts as disclosed before them the Committee find that at present the Ministry of Railways have made a commitment that they will be supplying 50,000 tons of coal per month to be carried by coastal shipping till 1971-72 and in addition they have requested the Ministry of Shipping and Transport to ensure movement of one ship load per month of industrial coal to Saurashtra ports by rail-cum-sea route. The Ministry of Shipping and Transport,</p> |

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|     |       | <p>however, have suggested a minimum of 7.5 lakh tons a year. In the opinion of the Committee the gap between the quantity offered by the Ministry of Railways and the quantity suggested by the Ministry of Shipping and Transport is not much and it could be easily bridged. The Committee, therefore, suggest that the Ministry of Railways and the Ministry of Shipping and Transport should by mutual consultations come to a conclusion at the earliest possible time so that a minimum quantity is assured to coastal shipping till the period when Haldia is ready.</p> |
| 19. | 4.38. | <p>The Committee would like to stress that it should be borne in mind that only when an adequate quantity of coal is assured to the coastal trade, will there be balanced traffic and the possibility of maintaining the coastal trade at a proper level.</p>  |
| 20. | 5.12. | <p>The Committee note that the Ministry have from time to time appointed committees to consider proposals for revision of freights and that Government's decisions on the reports submitted by the enquiring committees were communicated within a period of five to six months. They, however, feel that there is force in the argument of the Coastal Conference that by the time Government decisions are announced, the position undergoes a change on account of further rise in the costs of operation in the interim period.</p>  |
| 21. | 5.13. | <p>The Committee agree with the Ministry that the existing procedure in regard to sanctioning general increase in freight rates on the basis of recommendations made by <i>ad hoc</i> committees appointed every two or three years following representations made by the Coastal Conference was defective. They feel assured that under the new procedure, which has been evolved in consultation with the shipowners, there would</p>  |

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be automatic and continuous examination of the accounts of the shipping companies on the basis of returns submitted by them on a standard proforma to the Director General Shipping and that there would not be any cause for complaints from the Coastal Conference in regard to delays in making decisions. The Committee hope that the new procedure will be given a fair trial and the results watched for a period of three years.

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5.14.

In view of the fact that the Maritime Freights Commission has already been vested with necessary power for advising the Government in matters relating to freight revisions, the Committee do not think it would be necessary to set up any *ad hoc* Board for considering proposals for changes in freight. The Committee would, however, suggest that the Coastal Conference and the ship-owners should be given ample opportunities to present their viewpoints before the Maritime Freight Commission before Government takes any decision on their recommendations.

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5.15.

The Committee would also suggest that in order that the Director General of Shipping, is in a position to collect statistics about the operating results of the shipping companies quickly and comprehensively, the Coastal Conference should impress upon the shipping companies the need for sending their returns promptly and in the proper proforma.

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5.30.

The Committee note that apart from the fact that ships going from the east coast to the west coast have to make a detour around Ceylon, the other factors which influence the coastal movement of coal are peculiar to the port of Calcutta—delay in loading and unloading owing to the tide conditions, deterioration in the draft of the river Hooghly and limitation of available space in the dock area. The Committee note

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- further that when Haldia comes up, there will be a dramatic change in regard to the economies and speed of coal movement.
25. 5.31. The Committee agree that coastal shipping is an integral part of the transport system in the country and it is the second line of defence, and, therefore, it is necessary for the economy of the country as a whole to bear some of the cost. However, the Committee are of the view that the subsidy which the Railways have been giving in the movement of coal for the last 100 years or so cannot be done away with suddenly and it would be prudent to reduce the subsidy gradually as the Railways are doing at present.
26. 5.32. The Committee hope that with the gradual change in the freight rates for coal, as envisaged by the Railways, with the coming into operation of Haldia port which will reduce the cost of the rail-cum-sea route to a great extent, as envisaged by the Committee on Transport Policy and Co-ordination, and with the modernisation of ports expected during the Fourth Plan there will, in the near future, be a gradual improvement in the present situation. In the meantime, however, the Committee would urge that the Ministry should examine the feasibility of making the coastal operations more economical by rationalisation of the working of smaller shipping companies, by quicker turn-round of ships, by better phasing of shipping space and other suitable measures which would help the coastal trade to operate more efficiently and economically than at present.
27. 5.41. The Committee have noted the observations made by the Planning Commission in the Draft Outline of the earlier Fourth Plan in regard to returns on capital employed and the measures to be taken to secure that return. They feel that it is not difficult for the coastal shipping industry
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to achieve a legitimate return on capital employed provided port facilities are developed to enable quicker turn-round of vessels, adequate cargo and tonnage is assured, the bottlenecks that hinder the operation of the coastal fleet are gradually eliminated and adequate repair facilities are provided. They feel that if the turn-round of ships could be improved, more voyages could be performed thereby adding to the earnings without corresponding increase in the total operating cost. With the commissioning of Haldia Port the operation is likely to be quicker, resulting in increased sailings.

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5.42.

The Committee have earlier noted that the Director General, Shipping, is to undertake a study of the operating costs of the different shipping companies every year and make recommendations in regard to revision of freight rates to the Government. The Committee hope that while considering the recommendations of the Sub-Committee of National Shipping Board, the Government will take into account the latest returns of the shipping companies, as furnished by the D.G. Shipping, so as to fix an economic freight rate for coastal shipping.

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5.50.

The Committee regret to observe that the proposal for introducing 'through booking' arrangements between the Railways and Coastal Shipping for movement by combined rail-sea route wherever possible, which was recommended by the Rail-Sea Coordination Committee, has not been given the consideration that it deserves. The Committee feel that it is not fair to reject a proposal on the principle that it is not acceptable either to the Railway Ministry or to the Coastal Conference. The Railways should have worked out the financial implications of the proposal before summarily rejecting a scheme which, in the opinion of the Committee, is a laudable one. The

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Committee suggest that the Ministry of Shipping and Transport may further examine the proposal in consultation with the Ministry of Railways and the Coastal Conference and arrive at a workable solution so that the consumers' interests can also be adequately protected.

30. 5.55. The Committee note that the target of coal to be moved by sea route on Railway account annually has actually come down from 12,84,000 tons to 6 lakh tons per annum and that in the past the coastal shipping companies have not been able to reach the targets as the actual despatches during the last few years indicate that these have been much lower than the targeted figure. The Committee also note that the Ministry of Railways have communicated in their letter dated the 18th May, 1968 that in addition to 50,000 tons of coal per month upto 1971-72 to be moved on Railway account, the Ministry of Shipping and Transport should ensure movement of one ship load per month of industrial coal to Saurashtra ports by rail-cum-sea route.
31. 5.56. In these circumstances the Committee suggest that the Ministry of Shipping and Transport may take up this matter with the coastal shipping authorities and ensure that the movement of coal is not hampered for lack of shipping space even though the Committee appreciate that at present there is some difficulty in this matter e.g. Hooghly river draft, old ships in the coastal trade requiring replacement etc.
32. 6.5. The Committee note that Government are conscious of the present shortage of berthing capacity in some of the Major Ports. They also note that with the schemes already in hand and the development programmes contemplated during the Fourth Plan period, the Ministry would be able to handle the traffic generated
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without any adverse effect on the turn-round of ships. The Committee further note that one of the terms of reference of the Commission on Major Ports set up on the 14th February, 1968, is "to consider broadly their (of ports) development programme in the context of present and future national needs with special reference to the changing shipping and port technology." They hope that Government would give expeditious consideration to the Report of the Commission, when available, and set up the necessary infra-structure for providing increased berthing and dry docking facilities to the ports.

33. 6.6. The Committee further suggest that Government may examine the question of berthing capacity in the Intermediate and Minor Ports also so that the interests of coastal shipping may be adequately protected.
34. 6.13. The Committee note that after the completion of the Farakka Barrage silt-free water would flow from Bhagirathi and the draft of the river Hooghly would increase obviating the problem of bore tides. Till the completion of the Farakka Barrage, however, efforts should continue to be made to dredge the river Hooghly so as to facilitate navigation.
35. 6.14. The Committee note that each major Port has got its own dredger. There is also a Minor Port Dredgers Pool with two dredgers as well as some tugs. The Committee hope that expeditious action would be taken to procure the additional dredgers for which clearance has been obtained from the Government for attending to the dredging requirements of Mangalore, Tuticorin, Mormugao, etc. The Committee further hope that the question of having a Dredger Pool for
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- Minor and Major Ports would be considered by the Government after the Report of the Major Ports Commission is available.
36. 6.15. The Committee are constrained to observe from the Report of Axelson Study Team that the available dredging capacity is not being fully utilised. They are unhappy to note that a good many dredgers require extensive repairs and replacement and that the dredgers in India are used for only 8 hours a day whereas the magnitude of the dredging problem demands round-the-clock operation.
37. 6.16. The Committee feel that it is not enough for the Government to issue instructions to the Port Trusts to see that the dredging capacity is fully utilised. What is required is a detailed procedure to determine the idle capacity of the dredgers, analyse the causes that hinder the utilisation and adopt suitable remedial measures to ensure their maximum utilisation. The Committee would like to be apprised, in due course, about the procedure adopted.
38. 6.29. The Committee are surprised that separate statistics are not maintained at Calcutta Port about the turn-round of coastal and foreign-going vessels. The Committee recommend that such statistics should be maintained by all the Ports and duly utilised by them.
39. 6.30. From the figures furnished about the detentions suffered by coastal vessels at Calcutta from the month of January, 1968, onwards, the Committee note that detentions were in the neighbourhood of 1.2 days in regard to coastal imports and 1.0 day in regard to coastal colliers during June to August, 1968. While part of the detentions is due to factors over which the Port autho-
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rities have no control, viz. bore tide restrictions, deterioration of draft, heavy rains, etc., the strike by Port Commissioners' employees have also been a contributory factor for detentions suffered by coastal vessels. Since detentions are likely to lead to a chain reaction at the port causing congestion of vessels for berthing, the Committee would like to emphasise that vigorous efforts should be made to avoid and minimise delays. They further suggest that Government should undertake a comprehensive review of the labour problem in Calcutta and other Ports and take suitable steps to improve the labour-management relations, so that there may not be any hold-up of work due to strikes leading, among other things, to the detention of vessels.

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6.31.

The Committee note that while the procedure for clearance of goods at Bombay Port is comparatively simple, turn-round of coastal vessels is not effective inasmuch as shipowners of coastal vessels do not work cargoes in all the three shifts and several coastal ships arrive simultaneously in Port to load/unload cargo. The Committee would like the Government to take up the matter with the Indian Coastal Conference so that there may not be any bunching of vessels and the departure and arrival dates can be suitably phased out by the shippers.

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6.32.

The Committee further note that the facilities available at most of the major ports for loading and discharge are the same for coastal and the foreign cargoes. They have no doubt that the Major Port Commission will examine the question of adequacy or otherwise of the existing port facilities, including availability of lighters, place-



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ment of wagons, etc. which have a direct bearing on the turn-round of vessels and the economics of the coastal shipping trade.

- ~~42.~~ 6.40. The Committee note that there is no uniformity in the wharfage and demurrage charges prevailing in some of the major ports and that in some ports the charges leviable on coastal cargoes are different from those realised from foreign imports and exports. While in Bombay port, the wharfage leviable on coastal cargoes is subject to a rebate of 25 per cent, no such concession is discernible in the case of Calcutta and Madras ports. The Committee also note that there is disparity in the "free time" allowed by different ports in the matter of realising demurrage. The Committee would, therefore, suggest that Government may examine the feasibility of introducing proper rates for wharfage and demurrage in consultation with the Port Authorities. The Committee suggest that Government may also examine the question of levying concessional port charges for vessels engaged in coastal traffic.
- ~~43.~~ 6.42. The Committee are glad to note that a decision has been taken for launching a Centrally sponsored scheme for the development of minor and intermediate ports. They would like that the details of the scheme, when finalised, may be furnished to them.
- ~~44.~~ 7.12. The Committee note that the Sethusamudram Canal Project has been under the active consideration of the Government since 1955. Both the Chief Engineer and Consultant, Sethusamudram Project, and the Project Officer have, in their reports, observed that the Project is techni-
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cally feasible and is economically viable. According to the latter, "the Sethusamudram Canal, with its saving of time and distance, will be a shot in the arm for coastal trade, by introducing economies in transport and making sea movement strikingly cheaper than a rail movement of certain bulk commodities like coal, salt, cement and other items of general cargo." The Committee also note that the Ministry of Shipping and Transport are at present engaged in the examination of the economic as well as international issues involved and that the Shipping Corporation of India has been asked to make a thorough study of the trends in regard to various shipping services which pass along the Southern Coast

45. 7.13. In this connection, the Committee would like to invite the attention of Government to the recommendation made by them in para 47 of their 69th Report (Third Lok Sabha) on the Ministry of Transport: Vishakhapatnam and Tuticorin Ports. They hope that the matter will receive the urgent consideration of Government and will not be delayed any further.
46. 8.7. The Committee note that of the four vessels operated by M/s. Chowgule Steamships Ltd., one vessel has almost run out its economic life and that the Shipping Company do not seem to have any proposal for the acquisition of vessels. From the statistics furnished, the Committee note that there is a high volume and an increasing trend in the passenger traffic on the Konkan Coastal Shipping Service. Keeping in view the growing volume of traffic, the Committee suggest that Government may consider the feasibility of encouraging the tonnage on this service so that no inconvenience is caused to coastal traffic.
47. 8.8. The Committee note that Government have recently granted an increase of 7 per cent in

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the fares of the Konkan Coastal Shipping Service with effect from 6th May, 1968 and that request for further revision of the fare is at present under consideration of Government. The Committee hope that while considering the request for revision of the fare structure, the Government will also keep in view the interests of the coastal passengers.

48.

8.15.

The Committee are glad to note that a new ferry wharf for coastal shipping is under construction and will be commissioned in September 1969. They are, however, unhappy that no cargo handling facilities are planned at the new site. The Committee consider that this should be done. They are also unhappy to learn that hardship and inconvenience is caused to coastal vessels and they are also exposed to risk during bad weather on account of serious drawbacks of the Konkan ports like the absence of alongside berthing capacity, siltation both at the approach channels and the inner harbours, inadequacy of navigation aids, lack of proper communication facilities and the shore facilities for the passengers. The Committee suggest that the Ministry of Shipping and Transport should review the whole position and take suitable measures in consultation with State Governments concerned, to remove the drawbacks of the Konkan ports as early as possible.

The Committee note that there is much delay in removing the sunken barge from Berth No. 1 of Mormugao Port which causes obstruction to traffic. They hope expeditious action would be taken to remove the bottleneck.

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8.18

The Committee regret that there is lack of essential passenger amenities at many ports in the Konkan Service. They would urge that the Central Government may take up the matter with the State Governments concerned and

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|     |       | persuade them to provide the necessary passenger amenities at Konkan ports.  |   |   |
| 50. | 8.30. | The Committee are glad to know that the position has eased on the Andamans sector. They however, suggest that coordination to solve any problems that may arise in the operation of these services should be achieved by constant liaison with the Directorate General of Shipping, Shipping Corporation of India and the Andamans and Nicobar Administration.   |   |   |
| 51. | 8.31. | In view of the fact that volume of passenger traffic between main land ports and Andamans and Nicobar islands has been greatly increasing since 1964-65, the Committee hope that the Government will ensure that the machinery for the operation of the Andamans shipping is reorganised, and transit accommodation is provided at Port Blair as early as possible.  |   |   |
| 52. | 8.39. | The Committee note that in the field of welfare for seamen no distinction is made between the seamen serving on the Home Trade or on the Foreign-going ships. They are, however, unhappy that the Seamen's Employment Scheme as applicable to foreign-going sector has not so far been extended in full measure to the Home Trade Sector. They suggest that Government may examine the feasibility of extending this Scheme in full to the Home Trade seamen.              |   |   |
| 53. | 8.40. | The Committee note that there are at present no special arrangements for the education and training of seamen for Home Trade Service and that the industry itself provides training facilities to meet its own requirements. They fail to see why the three Rating Training Establishments should not undertake training of personnel for the Home Trade Sector also, especially when they have capacity to train a large number of ratings. The Committee feel that, with |   |   |

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the acquisition of new vessels for coastal shipping, there will be increased demand for trained personnel to man them. They suggest that the requirements of Deck and Engine Room Ratings for the Home Trade Vessels during the next five years may be worked out and arrangements made for their training in the existing Rating Training Establishments run by the Government of India.

**54.****8.41.**

As regards the training of officers for the Merchant Navy, the Committee note that the Technical Committee set up by the Government of India has submitted its report in March, 1968 and it is under examination. The Committee hope that early action will be taken to augment the training facilities for the officers of the Merchant Navy in the existing training institutions in the light of the recommendations made by that Committee.

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## APPENDIX VI

### *Analysis of Recommendations/Conclusions contained in the Report*

#### I CLASSIFICATION OF RECOMMENDATIONS :

##### A. *Recommendations for improving organisation and working :*

Serial Nos. 2, 3, 4, 5, 6, 14, 15, 16, 17, 20, 21, 22, 23, 27, 28, 38, 39, 40 and 41.

##### B. *Recommendations for effecting economy :*

Serial No. 10, 26, 36 and 37.

##### C. *Miscellaneous Recommendations :*

Serial Nos. 1, 7, 8, 9, 11, 18, 19, 24, 25, 29, 30, 31, 32, 33, 34, 35, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53 and 54.

#### II. ANALYSIS OF RECOMMENDATIONS DIRECTED TOWARDS ECONOMY

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| Serial No. as per<br>Summary of<br>Recommendations<br>Appendix V | Particulars  |
|--|--|
| 10.  | Pattern of financing purchase of vessels at the most economic price.             |
| 26.  | Examination of the feasibility of making the coastal operations more economical. |
| 36 and 37  | Fuller utilisation of the dredging capacity.                                     |

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