C.P.U. No. 499

COMMITTEE ON PUBLIC UNDERTAKINGS
(1982-83)

(SEVENTH LOK SABHA)

SIXTY FOURTH REPORT

Action Taken by Government on the Recommendations contained in the Forty-third Report of the Committee on Public Undertakings (Seventh Lok Sabha)

ON

SHIPPING CORPORATION OF INDIA

(Ministry of Shipping and Transport)

Presented in Lok Sabha on.....

Laid in Rajya Sabha on.......

LOK SABHA SECRETARIAT
NEW DELHI

April, 1983/Chaitra, 1905 (Saka)

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9. Shri Syed Sibtey Razi

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf present this 64th Report on Action Taken by Government on the recommendations contained in the 43rd Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Shipping Corporation of India.

2. The 43rd Report of the Committee on Public Undertakings was presented to Lok Sabha on 27 April, 1982. Replies of the Government to all the recommendations contained in the Report were received by 10th February 1983. The replies of Government were considered by the Action Taken Sub Committee of the Committee on Public Undertakings on 23rd March 1983. The Report was finally adopted by the Committee on Public Undertakings on 31st March 1983.

3. An analysis of the Action Taken by Government on the recommendations contained in the 43rd Report (1981-82) of the Committee is given in Appendix.

MADHUSUDAN VAIRALE,
Chairman, Committee on Public Undertakings.

NEW DELHI;
April 5, 1983
Chaitra 15, 1905(S)

CHAPTER I

REPORT

This Report of the Committee deals with the Action Taken by Government on the recommendations contained in the Forty-third Report (Seventh Lok Sabha) of the Committee on Public Undertakings on Shipping Corporation of India which was presented to Lok Sabha on 27 April, 1982.

2. Action Taken Notes have been received from the Government in respect of all the 34 recommendations contained in the Report. The recommendations have been categorised as follows :—

(i) Recommendations|observations that have been accepted by Government;

Serial Nos. 1, 2, 3, 4—6, 7, 8—10, 11, 14, 15, 16, 18—22 ; 24, 29, 30 and 34.

(ii) Recommendations|Observations which the Committee do not desire to pursue in view of Government's replies ;

Serial Nos. 12 and 13.

(iii) Recommendations|Observations in respect of which replies of Government have not been accepted by the Committee :

Serial Nos. 23, 25—28, 31 and 32.

(iv) Recommendations|Observations in respect of which final replies of Government are still awaited;

Serial Nos. 17 and 33.

3. The Committee will now deal with the action taken by Government on some of their recommendations.

Shipping arrangements for canalised exports

Recommendation Sl. No. 3 (Paragraph II. 7)

4. Observing that the entire oil cakes|were shipped by foreign flag vessels though the exports were canalised through the STC the Committee had felt that the canalising agencies such as STC and MMTC should have a say in the matter of transport. They had accordingly recommended that the matter should be examined and such steps taken as would enable the country's canalised exports to move substantially in Indian bottoms.

5. Government have in their reply clarified that only exports of ground nut extracts were canalised and explained that so for as export of GNEs was concerned, STC had a very limited role to play in the actual export|shipping. It has also been stated that the question of cargo support to Indian bottoms was separately under examination of Government.

6. The Committee while suggesting that country's canalised exports should be moved substantially in Indian bottoms had in mind all canalised exports through STC, MMTC etc. and not merely the export of GNEs through STC. They hope, keeping in view Committee's suggestion, efforts will be made to make substantial use of Indian Bottoms for canalised private sector exports.

Alleged discrimination against SCI in Indian ports

Recommendation Sl. No. 7 (Paragraph II.7)

7. The SCI had complained that it had been discriminated against in the matter of allotment of berths and sheds for container traffic in the ports of Bombay and Madras. Though the Transport Secretary had argued before the Committee not unconvincingly that there was no discrimination as such the Committee had felt that there ought to be some preference shown to the national lines in general and the nationalised lines in particular. The Committee had accordingly recommended that the matter should be examined and appropriate action taken.

8. The Government have taken their action note stated that no discrimination is being shown to Shipping Corporation of India in the matter of allotment of berths and sheds for the container traffic at the ports of Bombay and Madras.

9. The Committee wish to clarify that after hearing the Transport Secretary they did not nphold the complaint of the SCI that it had been discriminated against. However, what they desired was a positive preference in favour of national lines and nationalised lines in the matter of allotment of berths and sheds. They therefore suggest that appropriate policy directions may be given by the Ministry to the major port trusts in this behalf.

Running of unremunerative non-commercial services

Recommendations Sl. Nos. 15 and 16 (Paragraphs II.15 and 16)

10. While disagreeing with the thinking of the Shipping Corporation that they were obliged to run unremunerative non-commercial services, the Committee had observed that any promotional service

could be taken up only on commercial considerations. The Committee had also recommended that if any service which could not be justified on commercial considerations had to run it should be taken up only on specific directive from Government.

11. In their reply, Government have stated that the guidelines spelt out by the Commitee will be kept in view for future operations.

12. The Committee note that their recommendation that the SCI on its own should not take up a service that cannot be justified on commercial considerations unless the Ministry otherwise directs specifically, has been accepted in relation to future operations of the SCI. The Committee trust that written instructions in this regard have been given by the Ministry to the SCI. They suggest that the services which are not covered by the criteria spelt by the Committee should be either stopped or covered by specific directives by the Ministry in case it is necessary to continue these.

Acquisition of two very large crude carriers (VICCs) for ore trade

Recommendation Sl. No. 20 (Paragraph II. 20)

13. The Committee had been informed that a claim for Rs. 61 crores, for losses suffered by SCI in the operation of the 2 VICCs taking into account also the return on investment, had been made against the Ministry of Petroleum at whose instance these vessels had been acquired.

14. The Committee have not been apprised of the outcome of the claims filed by the SCI against the Ministry of Petroleum. They would await the settlement reached in this behalf.

Agency arrangements in Indian ports

Recommendation Sl. No. 23 (Paragraph II.23)

15. On the question of engaging agents by the SCI for handling work on their behalf in all ports (about 350) except in ports of Bombay, Calcutta, Port Blair and Mombasa, the Committee had observed that there was need for serious rethinking on the problem as there was no strong justification for continuing the agency arrangements in Indian ports. The Committee had accordingly suggested that a beginning could perhaps be made in extending the departmental handling of shipping operations in all Indian ports, which were presently confined to only the ports of Bombay, Calcutta and Port Blair.

16. Government have, in their reply, stated that it was an international practice for shipowners to entrust agency functions at the ports of call of their vessels to agency firms who are specialised in this

field. It has also been stated that generally it was not economical for a shipping company to maintain its own office establishments at all ports of call.

17. The general international practice notwithstanding, the Committee had called for a serious rethinking in regard to making a beginning towards extending the departmental handling of SCI's operations in Indian ports. The Committee have also pointed out though the cost of establishing an office may be more than the agency commission paid, the possibility of the SCI's own office augmenting revenue more than offsetting the increase in cost could no be ruled out. The Committee are not satisfied with the reply of the Ministry. They would expect an earnest attempt in this regard.

Setting up of a full-fledged office of SCI in Madras

Recommendations Sl. Nos. 25-28 (Paragraphs II. 25-28)

18. The Committee went into the agency and the contract arrangements of SCI at Madras and found that one concern namely M|s. K. P. V. Sheikh Mohammed Rowthar and Co. (Pvt.) Ltd. was the agent of SCI since inception (1961). The same agent was also acting as contractor for stevedoring since inception (1961) and for victualling since 1973. Whereas there was no tender for settling the agency arrangement at any time, the contracts for stevedoring and victualling were not renewed by inviting tenders regularly but were continued by negotiations. This concern has also been awarded contracts for various other items. Further substantial payments have been made by the SCI for ship repair work awarded to its sister concern. The Committee had found that in no other port only one party had been engaged for a combination of functions like this. In this context the Committee had expressed the view that it was not a healthy practice to combine the agency function with any other function relating to shipping as no independent check on behalf of the SCI would be possible.

19. In their reply Government have stated that in so far as the competitiveness of the rates quoted by the agent was concerned experience in finalising such contracts in Madras had shown that either no parties other than M|s. K. P. V. S. quoted rates or rates quoted by M|s. K. P. V. S. were found to be competitive.

20. While disapproving the present arrangement in Madras based on the centralisation of various functions connected with shipping operations in one concern, the Committee had expressed the view that the commercial interests of the Shipping Corporation demanded a full-fledged office in Madras. The Committee had also desired that if for any reason there was delay in opening such an office, the least that should be done in the meantime was to see that the agency function was allotted to a party not concerned with any other functions relating to shipping.

21. Government have in their reply stated that the question of opening branch offices at Indian ports where SCI operates through agents was under constant review on the basis of the volume of work as also economical|commercial consideration.

22. The question raised by the Committee related to a matter of principle namely whether it was desirable to combine the agency function with other functions as contractors for stevedoring and victualling and other operations connected with shipping for entrusting to a single party. Although the Committee had clearly expressed themselves against it and given cogent reasons this aspect of the matter does not appear to have been examined at all. The Committee are therefore constrained to reiterate their earlier recommendation that the agency function should be allotted to a party unconnected with other parties.

23. As regards opening of a full-fledged office of the SCI in Madras, the Committee desire to refer to their observation that though the cost of establishing the office may appear to be more than the agency commission paid, the possibility of the SCI's own office augmenting revenue more than offsetting the increase in cost could not be ruled out. The Committee would accordingly like to emphasise that relative economics should be viewed in this light and an early decision taken.

Cost study of the operations of SCI

Recommendation Sl. No. 31 (Paragraph II. 31)

24. The Committee had observed that there was a case for detailed cost study of the operations of the Shipping Corporation and had recommended that the study should be entrusted to an independent agency like BICP in consultation with the BPE. They had also desired that the cost study should include a review of the staffing pattern with a view to evolving suitable norms.

25. The Ministry have in their reply merely stated that all operations which the Shipping Corporation undertakes are thoroughly evaluated before they are undertaken.

26. The Committee reiterate that a cost study of the operations of the Shipping Corporation as also a review of the staffing pattern is called for. As already recommended this should be entrusted to an independent agency.

Handling charges at major ports

Recommendation Sl. No. 32 (Paragraph 11. 32)

27. The Committee had observed that unless the cargo handling cost, which constituted the largest single component of the operating expenses, in all the ports was put on a fairly uniform basis there could be no possibility of diversifying the shipping with a view to ease the congestion in Bombay Port.

28. The Government have, in their reply, stated that cargo handling rates at the major ports formed a small portion of total cargo transportation costs incurred by the shippers and therefore congestion in Bombay Port cannot be eased merely by bringing uniformity in cargo handling costs in all the ports. It has been further stated that the rates and charges at each port depend upon various factors such as local conditions and nature of operations, traffic pattern at that port, cost of the service and capacity of the trade to bear. Since these factors differ from port to port, there was no uniformity in the rates and charges of different ports.

29. The Committee desire that even if no uniformity is possible, the port tariffs and cargo handling rates at various ports should be such as would provide an incentive to diversify the traffic away from congested ports. In this connection they would recall the recommendation of the Estimates Committee contained in Para 11.92 of their 32nd Report (7th Lok Sabha).

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Serial No. 1 (Part II Para 1)

The Shipping Corporation of India Ltd. was incorporated in October 1961. The Committee's examination has revealed that Indian Shipping in general and the Shipping Corporation in particular have suffered for want of enough cargo support. Shipping has a vast potential for foreign exchange savings and earnings for the country. The Committee regret that the share of the Indian shipping in the country's overseas imports and exports trade has steadily deteriorated from 41.1 per cent in 1976-77 to 28 per cent in 1980-81. Lately whatever increase was there in overseas trade, foreign shipping lines appeared to have got the benefit of it. The Committee were surprised to learn from the Transport Secretary that he had not done much of a study of this phenomenon of the benefit of increase in India's foreign trade accruing to foreign lines. The Committee have however been assured that the deteriorating trend has been reversed in 1981-82. Nevertheless the Committee have found that there has been serious failure to take timely regulatory and promotional measures to arrest the deteriorating trend and ensure the country's legitimate share. The responsibility for the failure rests with the Ministry of Shipping & Transport.

Reply of the Government

India's overseas trade falls broadly into two categories :—

(1) Government owned|controlled cargo, and

(2) Cargo moved by private parties.

As regards (1) all Government Departments, State Governments, Public Sector Undertakings, whether wholly owned or controlled by Government of India or State Governments are required to make shipping arrangements through this Ministry. It is the general policy of the Government to buy on FOB and sell on C&F basis to the maximum extent possible in order to retain control over shipment and enable utilisation of Indian vessels. The quantity of Government owned|controlled cargoes handled by this Ministry against FOB imports and C&F exports during the last three years was as under :—

(Quantity in Lakh tonnes)

Year	Indian vessels	foreign vessels	Total	Share of Indian vessels
1979-80	51.55	94.03	145.58	35.41%
1980-81	53.83	78.77	132.60	40.60%
1981-82	87.02	88.11	175.13	49.69%

It will be seen from the above that there has been progressive increase in the share so far as cargoes covered under category (1) are concerned. Further the position regarding utilisation of Indian ships is also periodically reviewed by a Standing Committee consisting of Chief Controller of Chartering, representatives of user departments of the Government, Public Sector Undertakings and Indian National Shipowners' Association.

As regards cargoes covered under category (2) of para 1 above, at present there is no regulation to reserve cargo for national bottoms. The UNCTAD Code of Conduct for Liner Conferences (1974) which India has ratified, permits reservation of cargo to the extent of 40 per cent to the national bottoms. An Inter-Ministerial Working Group is considering a draft bill for implementing the provisions of the UNCTAD Code so that at least 40 per cent of even the private cargo is secured for the national bottoms. Certain other proposals for giving incentives to induce the private shippers to use national bottoms are also under consideration. The Indian Shipping Lines have also been urged to improve the quality of their service so that more cargo could move on national bottoms.

[F. No. SW|MFO-12|82-MF]

Recommendation Serial No. 2 (Part II, Paragraph 2)

One of the major items where the share of the Indian shipping has been poor is dry bulk cargo. Although a third of Indian trade is of iron ore, the share of Indian shipping is still just 25 per cent. The insistence of the Japanese buyers of iron to transport it in their own bottoms is stated to be the reason for this. The Committee have been informed that at the time of negotiations with the Japanese the MMTC was not in a bargaining position and with the inclusion of the Shipping Corporation in the negotiations the position has been improving. The Committee desire that efforts should be made to improve the Indian share to 50 per cent progressively. In future, it should be ensured at the time of negotiation of trade agreements that at least 50 per cent of the cargo is agreed to be moved by Indian bottoms.

Reply of the Government

The share for Indian ships in the carriage of Biladilla Iron Ore and basic grade iron-ore during 1980-81 and 1981-82 had been approximately 28.5 per cent, though the sale of iron-ore to Japan is always on 'free on board' (FOB) basis. A delegation led by Chairman, MMTC, which also include a representative of the SCI, had visited Japan between 24-5-82 and 4-6-82 to discuss with the Japanese Steel Mills about export of iron-ore, freight rates for transportation of Biladilla Iron-Ore and basic grade iron-ore as also to press for increased share of carriage of cargo for Indian ships during 1982-83.

In view of the strong resistence from the Japanese buyers and the depressed iron ore market the delegation could not secure a higher percentage for Indian bottoms. However it had been assured of the same percentage of share of cargo for Indian vessels as was achieved in 1981-82 for carriage of Iron-Ore during 1982-83. The delegation also secured 17 per cent increase in FOB price of Iron-Ore. Keeping in view the depressed freight market condition, the recession in shipping industry as well as in the Steel Mills throughout the world the above results could be considered as acceptable. The Ministry of Shipping and Transport are however making every effort and pressing the Japanese side at every meeting to carry 50 per cent of ore in Indian bottoms.

[F. No. SW|MFO-15|82-MF]

Recommendation Serial No. 3 (Part II, Paragraph 3)

The entire oil cake trade is stated to be in the private hands even though the export is canalised through the STC. According to the Shipping Corporation, the entire export of oil cakes were on f.o.b. basis and were shipped by foreign flag vessels. The Committee feel that the canalising agencies, such as STC and MMTC, should have a say in transport. A representative of Ministry of Commerce told the Committee that his Ministry had not given thought to this but agreed that this was an area which the Ministry could examine. The Committee would urge that the matter should be examined early and such steps taken as would enable the country's canalised exports to move substantially in Indian bottoms.

Reply of the Government

The following major varieties of de-oiled cakes are exported :—

(i) Groundnut Extractions.

(ii) Cotton Seed Extractions.

(iii) Rice Bran Extractions.

(iv) Soyabean Extractions.

2. However, out of these only the export of Groundnut Extractions is canalised through the STC. The nature of the canalisation nevertheless is of a purely regulatory nature in which exports are actually undertaken by private trade. The policy guidelines merely require the exporters to register their contracts with the STC and, after payment of a nominal sum of Rs. 2 per tonne, undertaken the exports by themselves. As such the STC only monitors the exports, and from time to time helps in disseminating the Government polices. The exports of all other extractions are open to private trade under a limited ceiling as notified by Government.

3. Thus, the STC has a very limited role to play in the actual export|shipping of the GNES. The Exports of GNES are now facing rough weather due to the presence of aflatox in and hence to insist on the export being made on a C&F basis through Indian vessels would be rather difficult at present. Buyers are making arrangements and insisting on exports on f.o.b. basis and hence it would not be possible for us to insist on our carrier vessels. Furthermore, in view of the problems involved regarding possible increase in aflatox in content during passage, exporters find it easier, if at all, to sell it on f.o.b. basis. They can as such ensure the aflatoxin content at the port of loading and do not have to bear the responsibility of any aflatoxin content during the passage. However, the question of cargo support to Indian bottoms is separately under examination of the Government.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82|
Dated 14-1-1983].

Comments of the Committee

Please see Paragraph 6 of Chapter I of the Report

Recommendation Serial No. 4 (Part II, Paragraph 4)

The extremely competitive market and non-Conference line operations have combined to keep down Indian's share in linear cargo. In container cargo, which accounts for a substantial portion of the trade, our share is just about 25 per cent. The position needs to be remedied by providing adequate facilities for operation of container vessels and eliminating unhealthy competition from non-Conference Lines and foreign ship operators through regulatory means.

Reply of the Government

In order to cope with the increasing container traffic, the 4 major ports, namely, Bombay and Cochin on the Western Coast and Calcutta and Madras on the Eastern Coast are being developed for handling containers in an adequate manner. Ship-to-shore gantry container cranes are also being installed at Bombay and Madras ports. Facilities already exist at Haldia for handling non-geared container vessels.

2. The Sixth Five Year Plan contains provisions for procurement of container handling equipment at the ports of Bombay, Cochin and Madras and also for setting up of a full-fledged container terminal at Madras port. The following Schemes included in the Sixth Plan in respect of Bombay and Madras ports have already been sanctioned :—

Name of the port	Equipment	Estimated cost (Rs. in lakhs)
Bombay	(i) Forklift trucks	250
	(ii) Container handling equipment	760
Madras	(i) Container handling equipment (Stage-I)	497
	(ii) Container Terminal (Stage-II)	2260

3. In pursuance of the above sanction, Bombay port has already procured 3 Transtainer Cranes, (Yard Cranes) through import and is installing them for handling containers. Madras port has also procured 2 similar cranes and is already operating them.

4. Orders have already been placed by the Madras port for procuring 2 gantry crane (Quay-side cranes) one through import and one from indigenous sources. Bombay port has also placed orders for procuring one quayside gantry crane through import. A proposal for acquisition of an additional gantry crane by the Bombay port has also been approved by the Government.

5. Work is also progressing at the container terminal sanctioned for the Madras port. The work was commenced on 1-10-1981. The berth is expected to be completed by April 1983, while by October 1984 all works on the container terminal are expected to be completed.

6. Apart from the above facilities being put up at ports for handling containers, the new project of Nhava Sheva envisages setting up of 4 exclusive container berths to be located in deep waters. These facilities are expected to be operational towards the close of 1986.

7. *INLAND CONTAINER DEPOTS* :

The ultimate concept in containerisation is the door to door movement of export|import cargo in containers. With this end in view, interim Inland Container Depots (ICDs) have been established by the Ministry of Railways at Bangalore and New Delhi (Pragati Maidan). It is also proposed to have an ICD at Ahmedabad. Every effort is being made to make these ICDs operational as soon as possible. Once they became operational it will enable certain containers to be stuffed|de-stuffed at these depots.

8. In order that the operations connected with the handling of containers within the docks area do not lead to confusion|congestion. Container Freight Stations are being developed outside the dock area at 2 places in Bombay port. These are expected to become operational by the end of 1982. Similar container freight station is also being planned for the Madras Port.

9. The above measures are expected to improve in handling of containers at the ports.

10. In order to eliminate unhealthy competition from foreign tramp vessels, a Working Committee was set up with Shri A. Padmanaban, former Joint Secretary (Shipping) as Chairman, and consisting of representatives of Ministry of Commerce, Department of Economic Affairs, Department of Revenue, General Insurance Corporation, CBDT, Chief Controller of Chartering and Deputy Director General of Shipping. This Committee had *inter alia* recommended for regulating the activities of the intermediately shipping agents by licensing them, in order to eliminate unhealthy competition from non-Conference Lines. This recommendation has been accepted in principle by Government and a draft bill in this regard is being prepared.

[F. No. SW|MFO-12|82-MF]

Recommendation Serial No. 5(Part II, Paragraph 5)

The Shipping Corporation has at present 31 vessels carrying 10473 containers and operates container services on 6 liner routes. The Corporation has not so far acquired any cellular container ships. On the only fully containerised service operated by it on India-U.K. Continent route the Corporation is expected to at best break-even in the next 2-3 years. According to the Shipping Corporation the container operation could be made profitable by industing large sized cellular container ships which would make for economy of scale. The Committee desire that economics of this proposal should be worked out an on the basis of the operational results of the fully containerised service acquisition of large sized cellular ships should be decided early, as the world over there has been a shift to container service.

Reply of the Government

SCI has expressed the view that cellular vessels of about 800 TEUs capacity will provide the answer to the diminishing freight yield. SCI is also considering to reorganise the deployment of such large sized vessels and studies are being made to chalk out the best routing pattern for the operations of such containerised vessels. It has been proposed to acquire suitable cellular vessels on the basis of the above study.

Three cellular vessels (two of 800 TEUs and 1 of 300 TEUs) have already been included in the phase I (1981—83)-Acquisition Programme of SCI. SCI is presently exploring the market to locate the suitable vessels for acquisition.

[Ministry of Shipping & Transport O.M. No. SW|SYO-II-71|82 Dated 14-1-1983].

Recommendation No. 6

The Port facilities for handling container traffic are obviously inadequate. These should be augmented soon on a planned basis, taking note of the suggestions given by the Shipping Corporation.

Reply of the Government

In Order to cope with the increasing container traffic the 4 major ports, namely, Bombay and Cochin on the Western Coast and Madras and Haldia on the Eastern Coast are being developed into container terminals for handling container vessels. Container handling facilities already exist at Haldia.

2. The Sixth Five Year Plan contains provisions for procurement of container handling equipment at the Ports of Bombay, Cochin and Madras and also for setting up of a full fledged container terminal at Madras Port. The following Schemes included in the Sixth Plan in respect of Bombay and Madras Ports have already been sanctioned :—

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Madras	(i) Container handling equipment (Stage-I)	497
	(ii) Container Terminal (Stage-II)	2260

3. In pursuance of the above sanction, Bombay Port has already procured 3 transtainer Cranes (yard cranes) through import and has installed them for handling containers. Madras Port has also procured 2 similar cranes and has installed them already.

4. Orders have already been placed by the Madras Port for procuring 2 gantry cranes (Quay-side cranes) one through import and one through indigenous sources. Bombay Port has also placed orders

for procuring one quayside gantry crane through import. A proposal for acquisition of an additional gantry crane by the Bombay Port has also since been approved by the Government.

5. Work is also progressing at the container terminal sanctioned for the Madras Port. The work was commenced on 1-10-1981. The berth is expected to be completed by April, 1983 and by October 1984 all works on the container terminal are expected to be completed.

6. Apart from the above, facilities being put up at the ports for handling containers, the new project of Nhava Sheva Port envisaging, *inter alia* setting up of 4 exclusive container berths to be located in deep waters has also since been sanctioned at an estimated cost of Rs. 592 crores. These facilities are expected to be completed by May, 1986.

7. *INLAND CONTAINER DEPOTS* :

The ultimate concept in containerisation is the door to door movement of export|import cargo in containers. With this end in view, interim Internal Container Depots (ICDs) have been established by the Ministry of Railways at Bangalore and at New Delhi (Pragati Maidan). It is also proposed to have an ICD at Ahmedabad. Every effort is being made to make these ICDs operational as soon as possible. Once they become operational, it will enable containers to be stuffed|de-stuffed at these depots and the ports will be required to only load them for shipment and unload them for despatch to the ICDs.

8. In order that the operations connected with the handling of containers within the docks area do not lead to confusion|congestion, Container Freight Stations are being developed outside the dock area at 2 places in Bombay Port. These are expected to become operational by the end of 1982. Similar container freight station is also being planned for the Madras Port at a distance of about 30 miles from Madras City, Calcutta, Haldia and Cochin will also have small container freight stations, situated close to the dock area.

9. The above measures are expected to result in expeditious handling of containers at the ports.

[F. No. PDO|36|82-US.I]

Recommendation Serial No. 7 (Part II, Paragraph-7)

The Shipping Corporation has complained that it has been discriminated against in the matter of allotment of berths and sheds for container traffic in the Port of Bombay and Madras. It has been stated that in Bombay certain foreign lines have been given sheds close to the berths and that in Madras special shed and stacking place has been provided for a French line while such facilities have not been made available to the Shipping Corporation. According to the Corporation, it would be benefited to the extent of Rs. 542 lakhs per annum if 3 berths out of 51 at Bombay, 3 out of 29 at Calcutta and one out of 19 at Madras are provided to the Corporation. Though the Transport Secretary argued not unconvincingly that there was no discrimination as such, the Committee feel that there ought to be some preference shown to the national lines in general and the nationalised lines in particular. In this connection, the Committee understand that in a number of foreign countries their national lines are given the best berths with shed facilities for handling their vessels. The Committee recommend that the matter should be examined and appropriate action taken.

Reply of the Government

No discrimination is being shown to Shipping Corporation of India in the matter of allotment of berths and sheds for the container traffic at the ports of Bombay and Madras. The specific position at Calcutta, Madras and Bombay Ports is given below :—

CALCUTTA : Shipping Corporation of India have all along been given special treatment in allotment of berths and sheds for their container traffic. SCI wanted one preferential berth and 3 K.P.D. was given to them. When berth No. 3 K.P.D. was burnt out in December 1981, they have been allotted No. 11 K.P.D. As the Regional Director of SCI at Calcutta is a Trustee on the Calcutta Port Trust Board, any problems faced by SCI were brought to the notice of the Board immediately and sorted out on a special footing as far as possible.

MADRAS : An area of 2500 Sq. Metres of open space and 1170 Sq. Metres of shed accommodation adjacent to the open area have been allotted exclusively for SCI for container operations, including stuffing and destuffing. In the matter of allotment of berth for container ships, one berth is earmarked on priority, on "first come first served basis" and no distinction is made between SCI and other vessels. As regards allotment of one berth exclusively for ships of SCI, it is stated that the vessels of SCI calling at Madras Port are of varying length, draft etc. and suitable different berths will have to be found for them. Also when more number of SCI vessels arrive, as is the case on most occasions, the exclusive allotment of one berth will be disadvantageous, as latter vessels may have to take turn following the earlier vessels at berth, whereas in the existing "first come first served basis" of allotment of berth such vessels could be berthed at every other available berth reducing delays.

BOMBAY : The total number of berths in Bombay docks is 52. Out of these, 28 are in Indira Dock and 24 in P&V Docks. The berths in P&V Docks are unsuitable for modern vessels, leaving 28 berths in Indira Dock for allotment to large size vessels. Even all the berths in I.D. are not identical and allotment of individual berth to a vessel in its turn has to be done having regard to the peculiar characteristic of a berth and the requirement of an individual vessel according to its nature of cargo operations. Another characteristic is the length|beam restriction applicable to the individual berths depending upon whether the berths|is are situated in the eastern arm or the western area of I.D. The crux of the matter is that even Indira Dock, built 70 years ago, has become obsolete and modern vessels of big size cannot simply be regulated at all the berths. Such regulation requires more than two adjacent berths being allotted to accommodate a vessel. Besides the physical limitations, berthing, of vessels has to be done in accordance with the Trustees, policy regarding reservation of berths for various types of cargoes. The cumulative result of all these factors is that a berth reserved for a particular shipping line may not simply be suitable to accommodate the size of the vessel, or the type and volume of cargo carried forward by the vessel. If the deepest and the biggest berth is reserved for a particular line so as to accommodate all types of vessels, the general interest of shipping will be affectd when a large size deep drafted vessel has to wait for a berth while a small vessel occupies the reserved berth. The proposition to reserve a certain number of berths to SCI or any other line, based upon its share of cargoes to the total share of cargoes to the total share of cargo at Bombay, is not practicable. The present policy of allotment of suitable berth to the vessels in turn enjoins upon the Trustees abandon duty to make suitable berth available to each type of vessel. If a vessel arriving under SCI carries substantial quantum of general cargo a multi-storeyed shed is made available by shifting process. If, on the other hand, a vessel carrying substantial open storage cargo arrives at the Port, a suitable open berth is made available to it in its turn. Bulk of the container vessels operated by SCI are a mixed breed carrying general cargo and containers. Reservation of the container berth to the SCI container vessels will not be in the interest of SCI because it will involve trucking down of general cargoes to a shed located away from the container berh. In fact in evolving the present policy the Port has taken into due consideration the interest of the SCI as the national line.

As regards the allotment of sheds to SCI for container traffic operations it may be mentioned that the container operations commenced at this port in 1973 and the American President Line, admittedly a foreign line, was a pioneer in the field. Since SCI did not operate container service, the faciliates were not given to them at this time. In fact the port has been always ready to help the national line as much as possible within the resources of the Port Trust. The following facilities have been provided :—

(i) Berth No. 13 B.I.D. the biggest shed in Indira Dock admeasuring 100,000 sq. ft. was allotted exclusively for the

SCI vessels by removing out of the dock two foreign lines from this shed to the Cotton Depot shed. The entire container operation system has since been revamped and fundamental charges have been made in the allotment of container facilities. In the new concept, it is intended to centralize all import LCI container activity within the Docks and shift all export activity outside the docks. Under the new dispensation SCI will get place to unstuff their LCLs within the dock itself with the result that there will be sustantial savings in transportation cost of LCL containers. All FCL containers belonging to all the Lines are being moved to Mangenese Ore Depot and Timber Pond and the SCI will be placed in an identical position vis-a-vis other lines.

(ii) On the export side a common user concept is being introduced and the system of allotment of sheds on a permanent basis to individual Lines is being replaced. Export sheds are being provided basically at Frere Basin and Wadi Bunder Complex which is located just outside the Prince's Dock and the Cotton Depot Complex which is located 8 kms. away from the main dock system. Export facilities have been provided to SCI at the Frare Basin Complex i.e. within the Dock itself and other lines are being moved to Cotton Depot Complex. Thus SCI is being given preferential treatment as compared to other lines. Having provided more than the normal facilities within the limited resources available at the Port and also due to the fact that SCI's representative is on the Board of Trustees and have a continuous dialogue at the highest level, there is no basis for any complaint about discrimination against SCI.

[Ministry of Shipping & Transport O.M. No. SW|SYO II-71|82]
Dated 14-1-83.

Comments of the Committee

Please see Paragraph 9 of Chapter I of the Report

Recommendation Serial No. 8, (Part II, Paragraph 8)

The world liner services are becoming containerised fast. It is, therefore, necessary to develop in the country as integrated rail, road and sea container service as has been done in other countries like Japan, Korea, US and continental countries. Though there are certain difficulties in developing this, these are largely administrative problems as pointed out by a representative of the Ministry of Commerce. The Committee hope that the problems, will be sorted out and integrated container service introduced as early as possible.

Reply of the Government

The Ministry of Commerce which is the model Ministry for developing multi-model transport system in the country has reported as under :—

"Container traffic in country's ocean borne trade is increasing very fast. Container traffic calls for provision of requisite infrastructural facilities designed to promote multimodel transport. Consequently, development of any container project scheme necessitates coordination amongst various modes of transport loading to development of an integrated system of rail, road and sea movement of containers. The Ministry of Commerce has been entrusted with the task of undertaking coordination work for processing and setting up various containerisation project schemes. In this process. the Ministry of Commerce coordinate with the Ministry of Shipping and Transport, Ministry of Railways, Chairman of various major por trusts and Indian and foreign shipping lines. With a view to develop movement of container traffic from inland points, initially it has been decided to put up two Pilot Projects one at Pragati Maidan in New Delhi and the other at Bangalore and all requisite infrastructural facilities in the form of custom examination, documentation, warehousing and rail transportation arrangements have since been finalised. In addition, a negotiable combined Transport Document has also been evolved with the approval of Reserve Bank of India and the Indian Shipping lines have decided to adapt the format of this approved Combined Transport Document. The Indian Shipping Lines are fully geared to book container export traffic for movement by rail from these two Pilot Projects. The Ministry of Railways have also finalised all the arrangement for managing these two pilot projects. The Shipping Corporation of India have initiated action to arrange to book export traffic from Bangalore ICD against negotiable combined Transport Document. Bangalore ICD has for all practical purposes, been installed. As regards Delhi ICD Pilot Project, it will be commissioned immediately after clearance from the Bombay Port Trust and the Ministry of Shipping and Transport.

2. The proposal for setting up Inland container Depot at Guntur for promotion of Tobacco export traffic by rail is now in the final stage of completion and it is expected that this Project will also be commissioned very soon. As a long term measure, the Ministry of Railways have already identified various additional centres for setting up the future ICDs. In addition, the Ministry of Railways have also initiated necessary action for setting up main projects in a bigger scale through acquisition of requisite land both at Tughlakabad (New Delhi) and Whitefield (Bangalore). India is also going to ratify the UN Code on Multimodel Transport of goods for which an Inter Ministerial Committee has been set up."

3. The Ministry of Shipping and Transport is in agreement with the above views of the Ministry of Commerce.

Ministry of Shipping and Transport O. M. No. SW|SYO(II)-71|82, dated 7-2-1983.

Recommendation Serial No. 9 (Part II, Paragraph 9)

The Shipping Corporation is stated to face stiff and unhealthy competition from non-Conference Line and foreign ship operators indulging in unethical practices, such as issue of pre-dated bills of lading, under-cutting of freight, paying higher brokerage and additional commission to the clearing and forwarding agents and giving monetary assistance for handling of cargo within port premises. Several suggestions have been given by the SCI to overcome the unhealthy competition. Although the problems and the suggestions to solve them are reported to have been made since 1976, the Committee regret that no tangible action has been taken as yet. The Committee recommend that effective steps should be taken in this regard without further loss of time

Reply of the Government

As mentioned in our reply to Part II Para 4 of the COPU's report, in order to remove the unhealthy practices such as issuing pre-dated bills of lading, under cutting of freight, etc. the Working Group on Tramp Operators had recommended regulation of the activities of the intermediary shipping agents by licensing them. The suggestions of the SCI which had been made in a different context at different forum such as during an Inter-Ministreial Meeting or during a meeting of SCOPE-SHIPPING, etc. also relate to regulation of the activities of the shipping agents, who are now proposed to be licensed as already mentioned. It may however be mentioned that no proposal to this effect was received by the Ministry directly from SCI in 1976, as stated by the SCI. (F. No. SW|MFO-12|82-MF).

Recommendation No. 10

The unhealthy practice of issuing bills of lading before actually loading the cargo appears to be facilitated by the Customs Houses practice of issuing General Registration-I forms on examination of the cargo tendered to customs. On the strength of these forms and the pre-dated bills of lading, document could be negotiated with the banks by exporters. The Committee desire that even if it is not feasible to issue the General Registration-I forms after ensuring loading of cargo, steps should be taken to ensure that the bills of lading are not issued before loading.

Reply of the Government

The above recommendation was examined in consultation with the Ministry of Finance (Department of Revenue) and the Director General of Shipping, Bombay. As suggested by the Committee, the Department of Revenue was requested that duplicate copy of GR I Form to the exporters should be issued only after the export cargo has been loaded on board the vessels. The Department of Revenue was also requested to issue instructions under which G. R. I Forms were to be presented along with mates receipts.

2. After examining the matter, the Department of Revenue have concluded that the release of duplicate copy of the G. R. I Form to an exporter before loading of cargo has no relationship with issuance of Bill of Lading. That Department has also expressed its inability to withhold duplicate copy of G. R. I Form till loading of export cargo on board the vessel.

3. In order to stop exporters from negotiating Bills of Lading issued through a fraud, Ministry of Finance have been requested to consider advising the Reserve Bank of India to issue necessary instructions to all banks to the effect that encashment of letters of credit in respect of export should be permitted only if Bills of Lading are accompanied by mates receipts.

[Ministry of Shipping and Transport. O.M. No. SW-SYO(II)-71|82 (Part). Dated 7th February, 1983].

Recommendation Serial No 11 (Part II, Paragraph 11)

At present the activities of Shipping and Clearing and Forwarding agents are not regulated. The Committee have been informed by the Transport Secretary that Government are thinking of going in for legislation on the subject. The Committee hope that the legislation will provide for adequate safeguards against malpractices.

As already mentioned, Government have accepted the recommendation of the Working Group on Tramp Operators (Padmanaban Committee) for licensing the intermediary shipping agents. A draft bill in this regard is being finalised. As regards clearing and forwarding agents, they are licensed and controlled by the Deptt. of Revenue, Ministry of Finance. The Revenue Department has been requested to take necessary action in the matter.

[F. No. SW|MFO-12|82-MF]

Recommendation Serial No. 14 (Part II, Paragraph-14)

At present the Shipping Corporation operates 18 overseas Cargo liner services, 4 passenger-cum-cargo services besides tanker, bulk carrier and coastal services. Of these, the passenger and coastal services. are always in the red. The oil tanker service is a captive business for the Shipping Corporation and the profits, thereon are on account of the operation on cost plus basis. Though the bulk carrier and liner services are making some profits their operations cannot be regarded as good, according to the Financial Adviser of the Shipping and Transport Ministry. Thus there is a lot of scope for improving the operational results of the Shipping Corporation. The Committee hope that on the basis of this Report steps would be taken to rationalise the sailings, bring about effective cost control and augment revenue.

Reply of the Government

The liner and passenger services operated by the Corporation have to function under various constraints such as periodic congestion at Indian ports, severe competition from non-Conference foreign lines including in rate-cutting and certain unethical shipping practices which are resulting in reduced cargo support of India shippers to Indian lines and increasing costs of ship operation.

2. Despite the above adverse factors, every aspect of operation is subjected to regular Management and Corporate review of SCI and necessary action taken to improve operations and profitability on the one side and minimise expenditure on the other side. In the light of the recommendation these steps will be improved upon under continuous monitoring and further steps will be provided for and taken. Some of the major steps taken by the SCI in this connection during the last one year are as follows :—

(1) Rationalisation of services :

(a) Madras|Japan direct to shipping service has been discontinued so as to reduce the losses.

(b) Calcutta|Australia and New Zealand Services are now combined into a single service with a view to reduce losses on these services by withdrawing one unit from the services. This would give increased coverage for Calcutta|Australia cargo and also ensure optimum utilisation of ship's space thereby augmenting the revenue of this service. Cargo for New Zealand will now be containerised so as to reduce the cargo handling cost as also to improve the turnround.

(c) Arrangements have been made with Nedlloyd Line for mutual utilisation of space on each other's vessels in Australia sector thereby avoiding competition and also augmenting revenue by collection of slot fees.

(d) Rationalisation of ports of call between SCI and Scindias is being attempted in respect of loading port in Great Lakes with a view to reduce voyage time.

(2) Steps taken to improve freight earnings:

(a) In the India|Black Sea Sector, the number of voyage is being increased from 23-1|2 in 1981-82 to 26 voyages in 1982-83 to generate additional profit in this sector.

(b) The number of ports of call on USA services are being reduced by resorting to drayage of cargo from convenient points both on the East and West Coasts of USA.

(c) To generate additional revenue on the Far East Japan Sector, SCI is providing maximum coverage to Taiwan, South Korea, Hongkong for Inward cargo. SCI has also planned to operate in Japan|West Asia (Gulf) trade for this purpose.

(3) Measures taken to improve cargo support:

(a) Arrangements have been worked out to offer on a regular basis SCI vessels for bringing Iranian cargo from Australia, East Coast of South America, Europe and Japan.

(4) Steps taken to reduce costs:

(a) Negotiations were held with Stevedores in Los Angeles and San Francisco and reduction of US Dollar 1 per ton for Break-bulk cargo in Los Angeles and of US Dollars 5 and 16 per container in respect of containerised cargo at Los Angeles and San Francisco respectively has been obtained.

(b) Constant review is made in respect of repair costs of the liner vessels and standardisation in the repair tariff of various workshops to avoid extra payment. Despite an over-all annual escalation of 15 per cent in the repairing tariffs of various yards and a marginal increase in the number of liner ships over the year, with sustained efforts the repair costs of liner ships in 1981-82 are estimated to increase only by 4.7 per cent over 1980-81.

(c) After reviewing the pattern of container pick-ups|drop-offs at various ports, negotiations were held with container leasing companies to workout the most economical pattern of advantage to SCI. The container leasing rates were reduced from US Dollars 1.80 and 1.81 to US

Dollar 1.73 and 1.71 respectively per TEU per day. After revising the minimum commitments of two of the leasing companies reduction in the rates as above will bring about a saving of 1,80,000 US Dollars towards container hire during the balance 14 months of the existing contract.

4. Crude Oil is a vital link in the national economy and the Shipping Corporation as the national carrier is committed to serve the transportation needs of Indian Oil Industry. Though the crude carriers of SCI are deployed on cost plus basis, all its product carriers except two are deployed with oil Industry for import of oil products at the open market level which is currently under service depression.

5. The Shipping Corporation has adopted several effective measures for controlling costs and augmentation of earnings.

(i) Fuel expenditure

This item constitutes a major segment of operating costs. Several measures have been taken to achieve economy in fuel consumption of vessels such as :—

(a) Monitoring closely bunker consumption and evolve norms for bunker consumption for various categories of vessels.

(b) Operating vessels at optimum|minimum speed consistent with techno-commercial requirements.

(c) Modifying propulsion plans to ensure changing over to cheaper and lower grade fuels.

(d) Modifying propeller to improve engine performance.

(e) Evolving better methods of hull protection.

(f) Laying down proper painting procedure to prevent hull fouling and thereby reducing surface friction which will reduce fuel consumption.

(g) Fitting of nozzels to achieve consistent slow steaming operation.

(ii) Drydock repairs

This is a major item of indirect operating expenses, here also the utmost care is taken to minimise the expenditure :

(a) To ensure timely corrective action which would reduce the extent of major repairs, reports and abstracts on the daily performance at sea are sent from the ship to the head office where they are carefully analysed and any corrective action required is immediately communicated to the ships.

(b) A close control on the performance of the ships is maintained to ensure that timely steps are taken to reduce the extent of major repairs and also to ensure that consumption of equipment spares is reduced to the minimum possible level.

(c) Drydocking are stemmed after a very careful analysis of competitive quotations received from various shipyards, and evaluating the costs of ballast, period of drydock quoted etc. Superintendents are deputed to personally supervise the drydock and ensure achieve maximum cost benefit, time-wise and cost-wise.

(iii) Continue vigorous chartering efforts for achieving a proper mix of long and short term-spot charters to take advantage of short term upswisings in the market as also to ensure stability through long term lucrative charters. Towards this efforts SCI has strengthened and enlarged its market intelligence system whereby it is in contact with loading charter markets world over continuously.

(iv) Training:

A number of training courses are regularly arranged to keep sea and shore personnel abreast of modern technological developments in shipping in order to enable them to tackle effectively the challenges facing the shipping industry.

(v) SCI has also actively participated in the national trade. In the recent grain import programme of Government of India, SCI employed a few of its large size bulk carriers|combination carriers and also medium size bulkers to bring 6 lakh tonnes of wharf from US and about 1.6 lakh tonnes from Australia at rates which were above the low open market rates.

(vi) In close coordination with the oil industry SCI has been able to induct a few of their large size combination carriers like m.v. Bellary, m.v. Barauni, m.v. Bailadila, m.v. Vallathol, m.v. Vallabhbhai Patel, Maharshi Dayanand and Maharshi Karve into the national oil circuit. In a depressed market for dry bulk cargo when these vessels would have found it impossible to secure gainful employment, their induction for transportation of crude oil for Indian refineries under 'cost plus' formula has not only mitigated SCI's losses but also yielded fair results.

6. This Ministry is also considering special measures to secure better Cargo support to Indian vessels, proposals to nter into bilaterial

shipping agreements with USA, Nigeria and France are also being examined.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)|81|82 Dated 14-1-1983]

Recommendation Serial No. 15 (Part II, Paragraph-15)

The Committee do not approve of the thinking of the Shipping Corporation that they are obliged to run unremunerative non-commercial services even without specific directive from Government and that all the services should be viewed in their totality. In this connection the Committee desired that the Ministry should make the objectives and obligation of the Corporation clear to them.

Reply of the Government

SCI have informed that the services in question introduced by them, although they were well aware on the basis of techno-economic projection that there would be a losing proposition to begin with but which may be introduced in over all interest of trade and shipping, have been termed by them as promotional services. The five services referred to as promotional are as follows :—

(1) West Coast of India—Australia

(2) East Coast of India—West Asia Gulf

(3) West Coast of India—West Asia Gulf

(4) East Coast of India—Red Sea

(5) West Coast of India—East Africa

None of the above services was introduced either at the instance of this Ministry or Ministry of Commerce. SCI have informed that the WCI—East Africa Service has been profitable more or less throughout since its inception in 1968-69. The SCI have since withdrawn three of the above services, viz. ECI-WAG, WCI-WAG and ECI-Red Sea. The only other route remaining, i.e. WCI-Australia, is expected to achieve break-even results in 1981-82 according to SCI.

2. The SCI have given the following reasons for the continued losses experienced by them on the above five routes which were introduced in 1968-69 :—

(1) The foreign operators were at an advantage compared to SCI as they were operating fully cellular container vessels instead of continuation ships operated by the SCI.

(2) In developed countries, multi-modal transportation system is being adopted. As a result, movement from WCI has been cornered by foreign operators, such as, SEALAND, APL, CGM (French) who have an advantage in offering multi-modal transportation.

3. As regards the specific recommendation of the COPU that this Ministry should make the objectives and obligations of SCI clear in respect of their commercial activities, as already mentioned, the above five services were not introduced at this Ministry's instance. It is evident that the above services were introduced by the SCI on the basis of their own judgement and it was for SCI to review the same, particularly when they found that it was a losing proposition continuously. It is felt that Ministry's intervention in regard to SCI's commercial activities, especially in those fields which are not undertaken at the instance of this Ministry, does not appear necessary as it would fetter the commercial judgement and enterprise of the management.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82 Dated 14-1-1983].

Comments of the Committee

(Please see Paragraph 12 of Chapter I of the Report)

Recommendation Serial No. 16 (Part II, Paragraph-16)

Some of the liner services have been making huge losses over a long period. The India-Australia route was making losses during the period 1975-81, the India-USA (Pacific) route was showing losses for the period 76-81, and the India-USA (Great Lakes) was incurring losses during the period 1977-81 continuously. The Committee have, however, been informed that the former two routes have turned the corner during 1981-82. That it should have taken such a long time shows that the routewise operations have not been reviewed properly in order to take a decision on the discontinuance of the loss making routes or on making such improvements as would make them viable. In this connection the Committee note that as many as 6 developmental services were started in 1968 and though these were making losses for a decade, these were continued. In the year 1977, three of them were, however, discontinued. On the two remaining services, viz. WCI-Australia and India-USA (Pacific) losses of the order of Rs. 8.16 crores and Rs. 5.04 crores have been incurred during the period 1968-81. The Committee feel that a promotional service can be taken up only on commercial considerations and when it is clearly expected that the route will be viable within a reasonable time of 2-3 years. Further, in a situation of under-utilisation of capacity of the vessels, it may be justified to operate some routes on marginal costing basis provided these could recover some part of the overhead expenses. In any case there is no case for taking up a service which cannot be justified on commercial considerations. If any such service is to be taken up, it can be only on a specific directive from Government. The Committee suggest that the operation of services in future should be regulated according to this principle.

Reply of the Government

SCI was operating the following promotional services :

(1) India|Pacific Coast of USA|Canada.

(2) India|Persian Gulf.

(3) India|Red Sea.

(4) India|East Africa.

(5) West Coast of India|Australia.

Of the above 5 promotional services, India|Persian Gulf Serivce has been discontinued and India|Red Sea service has been combined with India|Mediterrenean service.

2. The estimated operational results of the remaining three services in 1981-82 were as under :—

	(Rs. in lakhs) Profit (+) Loss (—)
West Coast of India/Australia	—7.56
India/East Africa :	
(i) WCI/East Africa	—54.01
(ii) ECI/East Africa	+17.26
India/USA-Pacific Coast of USA/Canada	+66.81

3. To bring the West Coast of India—Australia service and WCI| East Africa service out of the red, the following steps have been taken :—

(i) On the WCI|East Africa service the number of units employed have been reduced from 6 break-bulk to 2 Combination careers. This service has also been now containerised. This has considerably improved the turnround of these vessels at East African ports and the operational results are expected to show improvement.

(ii) To improve capacity utilization of vessels on the WCI|Australia service, SCI would be bringnig cargo from Bangladesh to Colombo which will be connected on WCI loaders to Australia. SCI also plans to cover cargoes from Australia to Indonesia on this service. These measures are expected to improve the operational results of this service.

4. Performance of the above services will be constantly kept under review by the Corporation.

5, This Ministry consider that operating a new service is a commercial matter and a decision has to be taken by SCI on commercial considerations, unless the Government specifically directs otherwise. However, the guidelines spelt out in the recommendations will be kept in view for future operations.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82 Dated 14-1-1983].

Comments of the Committee

Please see Paragraph 12 of Chapter I of the Report.

Recommendation Serial No. 18 (Part II Paragraph-18)

The losses are incurred on the passenger services operated at the instance of government on account of the low fares and freight structure approved by the government. A clear case for upward revision of the tariff structure has merged out of the examination of the Committee. According to the Corporation, the present fare structure in relation to Mainland-Andaman Sector is so low that the break-even fare would be 460 per cent of the existing fare. The Committee hope that government will take due note of the position and suitably adjust the tariff structure. While adjusting the tariff structure a difference has to be made between the domestic services and the international service in that the tariff structure for Rameswaram-Talaimannar service could be higher.

Reply of the Government

The Mainland Andaman shipping service is being operated by the SCI as a social obligation. The fare of freight on this service are fixed by the Government from time to time at below break-even level, keeping in view the development of these far-flung islands and the economic condition of islanders. It is not considered feasible at this stage to revise the existing fare and freight structure. However, the recommendation made by the Committee will be kept in view whenever it is proposed to consider revision of the same.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82 Dated 14-1-1983].

Recommendation Serial No. 19 (Part II, Paragraph-19)

The Madras-Malaysia-Singapore service is operated by the shipping Corporation on its own. The Corporation has incurred losses of the order of Rs. 4 crores during 1975-81 on this service. It was only at the instance of the Ministry in 1980-81 that several concessions were introduced to attract more traffic on this service and it is now expected to break-even soon. The Committee regret that the Corporation did not make any tangible effort to make this route viable until recently. However, making improvement cannot be one-time affair. The service should be kept continuously under review to ensure that it atleast breaks even; otherwise it should be stopped.

Reply of the Government

SCI management has been watching the performance of the above service and has introduced from time to time certain measures to improve the financial results, e.g., rationalisation of freight rates and passenger fares and offering group concessions to attract more traffic from the middle income group. The financial results of this service have considerably improved during the last year, namely 1981-82, during which it is expected to show a profit of over Rs. 88 lakhs. This trend is expected to continue also during the current year, viz. 1982-83.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82 Dated 14-1-1983].

Recommendation Serial No. 20. (Part II, Paragraph-20)

About 38 per cent of the Shipping Corporation's fleet (75 per cent of the DWT) comprised bull carriers, tankers and combination carriers and it was these vessels that greatly influenced the profitability or otherwise. There were heavy losses (Rs. 30.60 crores) on these services during 1977-79, but there was marginal profit thereafter. The Corporation had acquired 2 very large crude carriers (VLCCs) and 2 other large-size ships to serve the country's oil and ore trade. However, due to non-availability of port facilities and non-completion of Mathura and Koyali refineries. these ships have to be operated in international market where freight rates are low. The operation of the 2 VLCCs resulted in a loss of Rs. 40 crores during 1975-81. The Committee received an impression that the acquisition of these vessels were not properly timed. However, they have been informed that a claim for Rs. 61 crores taking into account also the return on investment has been made against the Ministry of Petroleum at whose instance these vessels were acquired. The Committee would await the settlement. In the meantime, action should be taken to deploy these vessels in a manner that they breakeven.

Reply of the Government

1. The Committee has mentioned that it received an impression that the acquisition of the VLCCs whose operation resulted in a loss of Rs. 40 crores during 1975-81 were not properly timed. The reason for the huge losses suffered during those years was on account of the prolonged depression in shipping freight rates that set in soon after the 1973 oil crisis, a development which was not anticipated by World Shipping industry as indicated by the large orders for such size of tankers which were placed during the pre-crisis period. Therefore, the circumstances in which the decision was taken by SCI to acquire the VLCCs were very different and the studies then made justified their acquisition. The background of this acquisition is briefly mentioned in the following paragraphs :—

2. The World Seaborne trade in oil expended continuously from the early fifties till 1973 and the world and, particularly, the developed economies of the West and Japan became increasingly dependent on the Middle East Oil. Between 1967-73 the World Seaborne trade in crude expanded 103 per cent in terms of ten miles moved. This continued expansion placed a heavy demand on the then existing fleet and the freight markets were booming. The Indian requirement of imported crude was also expanding. Although the VLCCs were on the scene since mid 1960s SCI considered acquisition of the VLCCs only in 1972 and that too mainly to meet the requirements of the Koyali Expansion and the Mathura Refinery through the Salays Off Shore Terminal. The proposal for acquisition of the VLCCs was placed before the Government in early 1973 and while approving the project the Government stipulated that the SCI would definitely make these ships available to the IOC for the carriage of crude to India.

3. The 'Yem Kippur' war of October 1973 changed the entire picture. The OPEC formed a cartel and the oil price increased many folds administering severe shocks to the world economy which was thrown totally out of gear. The demand for oil slumped. In the meantime shipowners, who had ordered tonnage on the basis of anticipated growth were saddled with heavy deliveries from 1974 onwards. The seaborne trade in crude fell by about 20 per cent between 1973-81

while the tanker tonnage expanded by 136 million DWT or 72 per cent of the world fleet. Over-tonnaging was inevitable and the freight rates crashed.

4. When the VLCCs were ordered the 'Yem Kippur' war could not be foreseen, no one came forward with prognostications regarding oil crisis and it was impossible to predict overtonnaging. SCI's decision to acquire the VLCCs was in line with the trend and with the decision taken by leading shipowners and oil majores who know more about oil business than any one else. It was impossible to foresee the magnitude of the structural changes the world seaborne trade was to undergo. A statement showing the growth of world tanker fleet including the VLCCs fleet since end 1971 till end March 1982 and on order as at end of March 1982 is attached (Annexure). It may be seen from this statement that VLCCs fleet has remained a major segment of tanker fleet even during depression period 1974-79. However its share in the tanker order book has dwindled to about 5 per cent.

5. Thus, the SCI management was caught in environmental changes of a magnitude which could not be foreseen. SCI was, therefore, left with no alternative but to cross trade its two VLCCs at huge losses. Even today the requirements of Mathura and Koyali (Expansion) Refineries have not developed to a stage of optimum utilisation of even one VLCC.

6. SCI is presently deploying one of the VLCCs as a storage tanker off Bombay High at a rate which is above the spot market rate. It is hoped that with the increasing production of Bombay High Crude the oil industry will be in need of this VLCC for storage purpose for some more time to come for transporting to other Indian refineries and for exporting on Swap basis. SCI will be inducting the second VLCC in Indian oil circuit when the Mathura Refinery goes in full stream around end of 1982. The freight rate for this VLCC would be on a 'cost plus' basis which would assure SCI a fair return.

7. SCI is doing its utmost in the given circumstances, to deploy these VLCCs in a manner whereby the revenues are maximised and losses minimised.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82 dated 14-1-1983].

Comments of the Committee

Please see Paragraph 14 of Chapter I of the Report

ANNEXURE

The Shipping Corporation of India Ltd.

The Growth of World Tanker Fleet

(Million DWT)

DWT. size Range	End 1971	End 1973	End 1975	End 1976	End 1977	End 1978	End 1979	End 1981	End March 1982	On order at end of March 1982
1	2	3	4	5	6	7	8	9	10	11
Small 10/69, 999 DWT	76.5	74.4	70.1	63.6	57.9	52.9	52.0	54.0	54.3	8.2
Medium 70/174,999 DWT	42.7	47.9	66.6	74.3	78.3	76.3	77.1	81.1	79.9	3.4
VLCC 175/299,999 DWT	47.1	85.2	134.5	148.8	155.2	155.1	154.0	141.8	139.8	0.6
ULCC 3,00,000 and over	2.3	4.6	16.4	30.5	38.7	41.5	42.0	43.2	42.9	0.6
Total Tanker Fleet	168.6	212.1	287.6	317.2	330.1	325.8	325.1	320.1	316.9	12.8
VLCCs as percentage to total	27.9%	40.2%	46.8%	46.9%	47.6%	47.6%	47.4%	44.3%	44.1%	4.7%

Source : H.P. Drewry (Shipping Consultants) Ltd, London, Monthly Shipping Statistics and Economics.

Recommendation Serial No. 21 (Part II, Paragraph-21)

Two large size ships (M. V. Maharishi Karve and M. V. Maharishi Dayanand) were acquired in 1978 and those have made losses to the extent of Rs. 11.16 crores during the period 1978-81. At one stage the Shipping Corporation considered the question of sale of these vessels but decided to continue to operate them. The Committee suggest that if these are unable to recover even the direct cost of operation it is better either to lay them up or sell them. This should apply to other vessels as well.

Reply of the Government

The two OBOs, m.v. Maharishi Karve and m.v. Maharishi Dayanand are generally good ships. These vessels are being deployed for carrying crude oil to India apart from West Asia Gulf from Venezuela, Syria and Algeria. Their operations in this national trade have been relatively satisfactory. They can also be gainfully deployed to carrying the country's export|import trade like iron ore, grain and crude oil. Therefore the alternative employment prospects in Indian trade provide a reasonable scope for these units to show viable results in spite of the present depressed market conditions. Further more, sales of these vessels at today's depressed sale market would result in heavy capital loss. SCI, however, will periodically review their performance results for taking a decision on their laying up or sale.

2. As part of SCI's policy, the operational results of all bulk carriers, tankers and combination carriers are being reviewed on a monthly basis and SCI would consider the alternatives of layup or sale in the event of direct operational expenses exceeding their earnings, as recommended by the Committee.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82 dated 14-1-1983].

Recommendation Serial No. 22 (Part II, Paragraph-22)

Although water transport is the cheapest for longer haul and it is energy saving, the Committee regret that the volume of coastal trade is very low in as much as it ranged between 8.99 lakh tonnes and 15.46 lakh tonnes annually during 1974-80. If anything the volume of trade is showing signs of rapid decline. The SCI's share in coastal shipping is also poor. The operational results of the coastal shipping is also poor. The operational results of the coastal trade of the Corporation had disclosed persistent losses (Rs. 4.38 crores during 1974-81). The main reason that is responsible for the low and declining volume of coastal trade is the uneconomic operation. Several suggestions are stated to have been made by a Committee on Coastal Shipping constituted under the Chairmanship of Director General of Shipping in September, 1980. The Committee desire that early decision should be taken on these recommendations and the coastal shipping assured its legitimate place in the transport sector.

Reply of the Government

Some of the recommendations of the Coastal Shipping Committee relating to introduction of a new definition of coasting vessel known as 'Restricted Home Trade Ship' in the Merchant Shipping Act, 1958, enactment of a separate legislation on the lines of the defunct Indian Coasting Vessels Act, 1838, for dealing with matters pertaining to coastal vessels, exemption of coastal vessels|cargo from present constraints arising from customs|ports procedures, development of Tuticorin Port as a regular bunker port and provision of separate staff in the Directorate General of Shipping to coordinate and organise coastal movement have been accepted by the Government. The recommendations of the Coastal Shipping Committee regarding delegtion of powers for fixation|revision of freight rates for the carriage of coal and salt by coastal shipping and for levying specific surcharge from time to time to compensate for the increase in the fuel prices and trimming charges have also been accepted by the Government with the modification that the proposed powers may be exercised by the Ministry of Shipping and Transport on the basis of the recommendations of the Shipping Rates Advisory Board and in consultation with the Ministry of Finance, instead of by the Director General of Shipping. The remaining recommendations of the Coastal Shipping Committee are under consideration.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82 dated 14-1-1983].

Recommendation Serial No. 24 (Part II, Paragraph 24)

The stevedoring work at the Ports is done on contract basis. Based on the experience of the departmentalised operation of the work at Haldia, the Ministry seems to have taken a stand that the stevedoring work would not be departmentalised for the time being. The Committee trust that having regard to the healthy policy of eliminating intermediaries as far as possible, this question will be kept under review.

Reply of the Government

The question of abolition of the private stevedoring system at major ports has been examined in detail by various committees from time to time. After taking into account the various aspects in this regard including the views expressed by the Chatterjee Committee appointed by the Government to review the Decasualisation Schemes and Allied Matters at the Major Ports and the subsequent report of Shri N. P. Bapat, it has been decided not to nationalise the private stevedoring system at Major Ports for the present. The desirability of eliminating intermediaries i.e. private stevedores, has also been kept in view while taking this decision, and this aspect will be given due consideration as and when the matter is reviewed in future.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82 dated 14-1-1983].

Recommendation Serial No. 29 (Part II, Paragraph 29)

The Shipping Corporation had made profits since its inception in 1961 upto 1976-77. Thereafter there were heavy losses (Rs. 53.60 crores) upto 1979-80. These losses cannot be merely explained away by recession in world shipping. Further the net profit of Rs. 18.37 crores shown in the accounts of the year 1980-81 does not disclose the correct picture of the operational results during this year. Taking into account credit adjustment of Rs. 10.85 crores relating to the year 1979-80 and the non-operating income includes in the profits the Committee find that the operational result of the Corporation during the year 1980-81 shows deterioration. In this connection the Committee suggest that system should be evolved whereby the true comparative picture of operational result from year to year could emerge in the Annual Reports. This may be evolved in the consultation with the Comptroller and Auditor General of India.

Reply of the Government

1. The impact of the unprecedented depression in the world Shipping, was felt not only by the SCI but the entire shipping fraternity, including those in the developed countries. In fact, many well established companies either went into liquidation or were taken over by lending banks. It is also worth pointing out that though SCI was also affected by the world-wide recession it fared better than many others. During the worst part of the recessionary period, namely 1978-79, while the laid-up tonnage in the world averaged about 45 million tonnes, SCI's fleet was fully utilised albeit not all of it at economic freight rates.

2. As against the losses incurred by SCI during the years 1977-78 to 1979-80 (after excluding the profit on sale of ships and excluding the losses on Government account) aggregating to Rs. 57.02 crores, the losses suffered by the seven leading Indian Shipping companies taken together, amounted to Rs. 34.69 crores. During the years 1977-78 and 1978-79, the Return on capital employed of these seven companies was negative viz., (—) 1.3% and (—) 0.21 per cent whereas SCI showed a return of 1.60 per cent and 0.16 per cent despite the fact that these companies have a lower capital base because of relatively older fleet.

3. A direct consequence of the continued depression since 1975 was that the shipowners were facing very serious cash flow problems. Most of the Indian Shipping Companies found it extremely difficult to meet the capital commitments and many of them defaulted repayment of loan instalments including interest due to SDFC. After a careful consideration of the representations made by the Shipping companies in this regard and being satisfied that the situation was, for reasons beyond the control of these shipping companies namely the crisis in shipping brought about by world-wide depression, the SDFC decided to offer reliefs in the form of deferment or re-scheduling of instalments etc. to help the Indian shipping to tide over the difficulties.

4. Besides the depressed freight market and the reduced cargo availability, the escalation in the operational cost over which the shipowners have no control and which are not fully compensated by the freight adjustments, also eroded the profitability. Another major factor was the delay in ports due to congestion, labour trouble etc. SCI lost 1919 days in 1977-78 and 2952 days during 1978-79 which alone accounted for a loss of Rs. 5.76 crores and Rs. 9.00 crores respectively in these years.

5. It would thus be seen that the losses suffered by SCI were due to unavoidable reasons and were mainly attributable to the unprecedented crisis in the Shipping Industry.

6. The Committee has also observed that after taking into account (a) a credit adjustment of Rs. 10.85 crores relating to the year 1979-80 and (b) the non-operating income included in the profit, the operational result of the Corporation for the year 1980-81 shows deterioration.

7. Regarding the credit adjustment of Rs. 10.85 crores, attention is invited to the clarification furnished by the SCI during the course of oral evidence, which have been noted in Para 2 of Part I-Chapter (iv); as shown below :—

Quote

At the time of factual verification, SCI pointed out.

"Simulatneously amount pertaining to 1980-81 accounts ascertained at over Rs. 12 crores need be taken credit for to arrive at the profit for 1980-81".

Unquote

8. Thus, while Rs. 10.85 crores have to be removed from 1980-81 accounts, Rs. 12 crores (approximately) had to be added to 1980-81

accounts. If this factor taken into account the following picture would emerge :—

		1980-81	1979-80
		(Rs. in crores)	
	Profit (+)/Loss(—) shown in the P & L Account.	(+)18.36	(—)1.85
Less :	Adjustments on account of cost differential as per C.O.A. relating to earlier years.	10.85	2.13
		(+)7.51	(—)3.98
Add :	Amount due on account of cost differential as per C.O.A. of the current year	13.07	10.85
	Profit(+)/Loss (—)	(+)20.58	(+)6.87

The above tables clearly indicate that there had been a significant improvement in the operating results of the SCI during 1980-81, as compared to the previous year, even after making adjustments for the balance amount due as per cost-plus workings in the relevants years' accounts.

9. The accounting practice hitherto followed by the Corporation has been to take credit for the provisional freight, at the agreed rate, in the respective year and to show the balance amounts due from the oil industry after finalisation of cost-plus workings at "prior year adjustments" in the subsequent years. With a view to reducing the impact of such "Prior year adjustments" on the comparative picture of the working results, SCI credit for the difference between the provisional freight and the cost due from oil industry in terms of the contract of affreightment on accrual basis in the respective year itself. For this purpose, the cost will be worked out on the basis of the final ledger, but while determining the amount to be taken credit for, an assessment will have to be made based on previous years experience, in respect of certain elements of cost like interest on working capital, Ballasting|idle time Ocean Losses etc. Even then, there may be some variation between the amount taken credit for and the actual amount due from the oil industry when the C. O. A. accounts for the oil industry are finally audited for submitting to the OCC. This difference will still have to be shown in next year's accounts as "Prior year adjustments". However, the absolute figure would be smaller as compared to Rs. 10.85 crores for which credit had to be taken in 1980-81 accounts. This proposed change in the accounting method will, it is felt, broadly meet the point made by COPU and will also be consistent with the practice followed by the SCI since 1979-80 in taking credit for the Charter Hire earnings of vessels given on time charter to the oil industry, on cost-plus basis.

10. As for the "non-operating income included in the profits," referred to us by the Committee, it is necessary to identify the items of "non-operating income" included in the "Other income" in the Profit and Loss account for the years 1979-80 and 1980-81; detailed break-up of which are given below :

	1980-81	1979-80
	(Rs. in crores)	
Interest on Investments, Deposits, and Loans to employees	0.48	0.38
Agency fee, commission & remuneration for managing Govt. vessels	0.46	0.43
Rent recoveries	0.03	0.02
Surplus on Sale of Ships	3.01	1.60
Insurance claim on total loss of ship	1.21	..
Sundry Credit balances appropriated	0.21	0.09
Currency exchange difference	1.48	1.73
Sundry receipts like sale of condemned stores etc.	0.63	0.63
	7.51	4.88

It may be observed from these details that the major portion of "Other Income" comprises "Surplus on sale of Ships" "Currency Exchange difference" and "Sundry Receipts". SCI has sold ships only when they had outlived their useful life or had become uneconomical to operate due to major damage. In all such cases, the written down value would be nil or nominal and the scrap value realised or the sale price (in case a ship can be sold for further trading) produce a surplus. There was hardly any capital gain while disposing of old| uneconomical ships, except in the case of total loss of ship, recovered from the Insurance Company, where the insured value was more than the original Cost|WDV. The amount of capital gain being very small, viz. Rs. 0.47 crores, it would not materially affect the operating result. In all cases of sale, the surplus has arised because of reducing the original cost of ships to nil or nominal value by charging off depreciation in the earlier years. As such, the surplus in question is in the nature of recoupment of a part of the depreciation written off. Further, in a company of the size of SCI, disposal of old ships will be on a continuous phased manner and will be a recurring feature. The resultant surplus or deficit should, therefore, be regarded as an operating income or expenditure as the case may be. The "Currency exchange difference" transactions during the year and the year-end cash, Bank and personal accounts balance involving foreign currencies at a predetermined national rate of exchange. If it were possible to convert each and every foreign currency transactions at the actual rates prevailing on the day of transaction|settlement; the resultant loss or gain would have been insignificant and limited only to those transactions involving physical remittance of money from one country to the other. In the present case, whilst there was a net credit in the "currency exchange difference" a|c, the revenue earnings and expenses were affected by a corresponding amount, thus nullifying the effect on the operational result of the year. "Sundry Receipts" are clearly "operating income" though some of the receipts cannot be identified with a particular vessel or voyage. Similarly, "Sundry Credit balances appropriated" should be also regarded as "Operating Income" just as "Sundry debit balances written off or provision made therefor" are taken into account while determining the "Operating results" under reference. "Agency fee, commission, remuneration for managing Government owned vessels" etc. are undoubtedly "operating income" of the Company. The remaining two items viz. "Interest on Deposit, Loans etc." and "Rent recovery" can perhaps be excluded from the perview of "Operating Income". But the amount involved being insignificant, the effect of its inclusion|exclusion in the profits would be immateral. It is, therefore, submitted that the aggregate amount involved in those items which can be considered as "non-operating income" is not so material as to vitiate the presentation of operating result of the company in the published accounts.

11. As regards the suggestion made by the Committee to evolve a system in consultation with the C&AG, whereby the true comparative picture of operational result from year to year could emerge in the Annual Reports, it is submitted that as a reference received from the SCI, C&AG of India has been approached by the Ministry for their advice in the matter. The SCI will act on the advice given by the C&AG.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82 Dated 14-1-1983].

Recommendation Serial No. 30 (Part II, Paragraph-30)

A comparison of the results of operation of the SCI with the combined position of 7 private Indian Shipping Companies has revealed that during the year 1980-81 the return on capital employed in respect of Shipping Corporation (Excluding services on government account) was 8.62 per cent whereas it was 10.87 per cent in respect of the private companies. Similarly, the percentage on gross profit to gross earnings was respectively 12.53 per cent and 20.57 per cent further, the performance of 5 private companies, viz. Great Eastern South India Shipping, Damodar Bulk Carriers, Chowgule and Ratnakar was much better compared to that of the Shipping Corporation. The Committee desire that inter-firm comparison of the cost of operation should also be made and steps taken to have an effective cost control in the Shipping Corporation. The Board of the corporation should systemetically review the vessel voyage results to keep a constant watch on the operational efficiency.

Reply of the Government

The fact that none of the other Indian Shipping Companies are comparable with the SCI cannot be overlooked while making an inter firm comparison of the working results. Whilst the private shipping companies selected for comparison have relatively older fleet, acquired at lower prices, SCI has added a lot of new vessels and hence the capital employed as well as the incidence of depreciation in SCI will be on the higher side. Therefore, even though the profit made by SCI and other companies may be identical, when it is expressed as percentage of capital employed, those companies will appear to have fared better because they have the advantage of low capital cost. In the case of the other percentage used for inter-firm comparison viz. gross profits to gross earnings, it may be noted that there is a basic difference in the nature of gross earnings of SCI and others, which will tend to vitiate the comparison. Five out of seven shipping companies are tramp operators and as such, the Charter hire or freight earned by them would be at a lower level than the liner freight because the tramp operators do not have not meet any direct operating expenses if the ships are given on time charter and do not have to bear the cargo handling costs in the case of FI|FIO carriages which are reflected in the freight|charter hire rates. As a result of this dissimilarity in the nature of earnings, even if both SCI and the others have achieved the same profit, when it is expressed as a percentage of the gross earnings, there will be no common denominator and SCI is handicapped. In view of these limitations, the inter-firm comparison will not give a true picture of the performance results, for the same reasons it is not correct to conclude that the performance of the five private companies viz. Great-Eastern, South India Shipping, Damodar Bulk Carriers, Chowgule and Ratnakar was much better compared to that of the Shipping Corporation.

2. In addition to the above mentioned constraints faced in inter-firm comparison, owing to the incomparable figures shown in the published accounts as also the limitations of the indices (percentages) used for comparing the performance results, an important point to be borne in mind is the basic objectives of the SCI and other Shipping Companies, While SCI as the premier national line, was expected to fulfill certain social obligations and has been operating quite a few unremunerative services in the national interest, the private shipping companies have been enjoying much more freedom of operation and hence were guided

mainly by profit motives. Having due regard to the philosophy of public sector enterprises, it would not be fair to evaluate its performance merely by comparing the profits earned with those of the private indusrty.

3. Regarding the suggestion made by the Committee to make inter-firm comparison of the cost of opertion, it is submitted that, as mentioned above, the figures representing the various elements of operating costs, disclosed in the published accounts, are not identical, and hence are not comparable. For example the total incidence of cargo handling costs in SCI which is the largest liner operator among Indian Shipping Companies would be much more than the private shipping companies, most of whom are mainly tramp operators. It would, therefore, not be possible at present to make any meaningful inter-firm comparison of costs. This would be possible only if all shipping companies in India adopt a uniform method of accounting and publish accounts in a standard format disclosing separately the transaction pertaining to liner, Tramp Voyages, Time Charters etc.

4. The Committee has also recommended that steps may be taken to have an effective cost control in the SCI. In this connection it is submitted that there is already a reasonably good system for monitoring continuously the cost of operation and to take timely appropriate measures to control the costs.

5. The Board of Directors of the Corporation is already being kept appraised of the vassel-wise results on a quarterly basis. In order to enable the Board to have a correct appreciation of the financial results the following supporting data|information are also submitted to it :—

(1) Assumptions made in the Revenue|Budget|Estimates or the relevant quarter and the achievements made during the quarter, with explanatory statement of the variances.

(2) Detailed projections for the ensuing quarter.

(3) Capacity utilisation; vessel-voyage-sectorwise.

(4) Details of Losing Voyages together with a explanatory statement of the reasons therefor.

(5) Ways and Means position.

(6) Vesselwise details of lay-up period; Waiting for Dry Dock; berthing delays etc.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82

Dated 14-1-1983].

Recommendation Serial No. 34 (Part II, Paragraph-34)

The Ministry of Shipping & Transport has not held regular meetings to review the performance of the Shipping Corporation. There was only one review meeting held by the Secretary and that too as late as December 1981. Earlier, a couple of meetings were held at the level of the Joint Secretary who happened to be a government director of the Shipping Corporation. He should not have been entrusted with an independent review of the performance of the management and the Board. The Committee expect that in future there will be regular and meaningful review of the performance at least at the level of the Secretary.

Reply of the Government

As recommended by the Committee, regular and meaningful reviews of the performance of the SCI at the level of the Secretary will be conducted. The Minister of Shipping & Transport has since himself taken review meetings of the SCI on 20-7-1982 and 30-10-1982 when Secretary and other officials participated.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82

Dated 14-1-1983].

CHAPTER III

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

Recommendation No. 12 (Part II, Paragraph 12)

One of the objectives of the Shipping Corporation is to increase India's share in cross trade. The Committee were surprised to bear from the Transport Secretary that no worthwhile statistics were available on cross trade to know the share of Indian Shipping. The Committee desire that at least in future there should be some assessment of the total volume of the world cross trade and India's share in it and efforts should be directed to improve our share in order to augment foreign exchange earnings for the country.

Reply of the Government

The Shipping Corporation of India was formed in 1961 (with the merger of the Eastern and Western Shipping Corporation of India), for extending India's participation in this carriage of her trade and quickening the pace of expansion of National Shipping by State participation. It is perhaps, not correct to say that the objective of Shipping Corporation was to increase India's share in cross trade.

The traditional shipping policy always emphasised—

(i) expanding the volume of exports of Indian Industries : (ii) earning foreign exchange for the country by way of transportation of national exports and (iii) Saving foreign exchange for the country by way of transportation of national imports.

The carriage of cross-trades plays a secondary role in maximising the utilisation of shipping space and consequently also earning foreign exchange for the country. If the National Merchant fleet were to give priority to the International cross-trades, the development of foreign trade of India might get impeded. On the other hand if the vessels are fully engaged in the carriage of National cargo, they are either earning or saving foreign exchange, in addition to promoting National trade.

Cross trade by itself would mean trade between two foreign ports, *i.e.* both the loading and discharging ports outside India. Cargo can be carried in this trade by Indian ships (both by liner ships and tramp

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ships) on their own. In addition Indian vessels will also be employed in cross trades when they are on time charter with foreign parties. (The occasions of Indian ships being used by for Indian's overseas trades under time charter arrangements with foreign lines are likely to be very few).

2. The volume of cargo carried in cross trades by Indian ships on their own and volume of cargo carried by Indian ships in cross trades when they are under time charter with foreign parties in respect of some shipping companies during 1980-81 is given as under :—

	Qty.	Earnings
1. Volume of cargo carried in cross trades by Indian ships on their own during 1980-81	10.97 million tonnes.	Rs. 123.38 crores
2. Volume of cargo carried by Indian Ships in cross trades when they are under time charter with foreign parties during 1980-81	Not available	Rs. 154.23 crores

3. The Committee has also desired to know the total volume of cargo in World cross trades and India's share therein. It is not possible to get the break-up of the total world trade into (i) trades in which vessels of each country were employed on their own and (ii) trades in which the vessels of each country were employed in cross trades under time charter arrangements with other parties. As such it is also not possible to ascertain accurately India's share in the total world cross trades by volume. As employment of Indian ships, whether in India's overseas trade or cross trades, will earn foreign exchange for the country the question of knowing the exact share of Indian shipping in the world cross trade does not also appear to be strictly relevant. Besides except for a few ships which may not be able to visit Indian Ports because of their size and draft restrictions at Indian ports, all the other ships in the Indian fleet are meant both for India's overseas trades and cross trades depending on the employment opportunities available from time to time. There have also not been any acquisition made by Indian Shipping Companies purely for employment in cross trades.

4. Recently the Shipping Corporation of India have introduced a liner cross trade between West Asia Gulf Ports and Far Eastern Ports without touching Indian Ports. The SCI have stated that studies for similar services in other sectors are also being made. Employment opportunities for Indian vessels in cross trade depend on suitability of ships and the conditions of charter and freight markets. Vessels employed in cross trades have to face stiff international competition and in times of recession as at present, opportunities for employment of Indian ships in cross trades become quite difficult.

[Ministry of Shipping & Transport O.M. No. SW|SYO(II)-71|82].
dated 14-1-1983].

Recommendation Serial No. 13, (Part II, Paragraph 13)

"A Standing Committee was constituted in February 1979 to periodically review the utilisation of Indian shipping for securing better cargo support and for ensuring better coordination between Public Sector Agencies, Shipping Industry and the Ministry of Shipping and Transport (TRANSCHART). The Committee received an impression that this Standing Committee did not exhibit full awareness of its functions. Having an attenuated idea of its terms of reference, it mainly confined itself to solving such problems as arose and arranging shipping of public sector cargo. In all, it held only 4 meetings between February 1979 and February 1982. The Transport Secretary admitted that the Standing Committee was "a bit weak" and it was not functioning as efficiently as it should. Although he had directed in a meeting held in October, 1980 that the Standing Committee should meet at least once a month it did not have any effect. The Committee are inclined to take a serious view of the virtual inaction of such an important Standing Committee in the context of the need to ensure adequate cargo support for Indian Shipping as a whole. The Committee recommend that the Standing Committee should be activised and for this purpose it should be reconstituted associating with it representatives of the Ministry of Commerce, Shippers and Shipping lines besides those of canalising agencies at a sufficiently high level and it should be presided over by the Secretary, Shipping and Transport".

Reply of the Government

A copy of the Resolution No. 55-ASO.I(6)|78, dated 17-2-1979 regarding setting up of Standing Committee referred to in above mentioned recommendation is reproduced below in Annexure I. It will be seen from Para 1 of the said Resolution that the Standing Committee was set-up to achieve the objectives of securing better cargo support for Indian ships from Government Department|Public Sector Projects and Undertakings and ensuring better coordination between the Public Sector Agencies. Indian Shipping Industry and the Chartering Organisation in the Ministry of Shipping and Transport.

2. This Committee was set-up in pursuance of the decision taken at the meeting held by the Finance Minister on 30th March, 1978 and the relevant extracts from the Minutes of the said meeting are reproduced below :—

"In so far as the transport arrangements being made by Public Sector Agencies were concerned, it was agreed that there was a need for greater coordination between the Indian shipping industry and the public sector agencies who are responsible for bulk cargoes. It was noted that even under the existing arrangements, the Transport Organisation of the Ministry of Shipping and Transports required to be consulted by the Public Sector Agencies before finalising their shipping arrangements. It was, however, felt that it would be desirable if a standing coordination committee could be set-up to improve coordination and it was accordingly decided that such a Committee would be set-up by the Ministry of Shipping and Transport which would have representatives of the Ministry of Commerce, Ministry of Steel & Mines, Department of Heavy Industry and representatives of the major public sector agencies viz. STC, MMTC, SAIL, BHEL".

3. From the position stated above and the terms of reference of the Standing Committee as mentioned in Para 4 of the Resolution dated 17-2-1979 (Annexure I), it will be seen that the main function of this Committee is to periodically review the position regarding shipment of Government owned|controlled cargoes for securing better cargo support for Indian ships in respect of such cargoes and ensure better coordination between public sector agencies, shipping industry and the Chartering Wing (TRANSCHART) of the Ministry of Shipping and Transport.

4. Although only four formal meetings of the Standing Committee were held between February 1979 to February 1982, individual shipping problems were discussed with the concerned Projects|Undertakings and the Indian shipping companies from time to time. In fact, TRANSCHART is in daily touch with the Indian shipping companies and the major Public Sector Undertakings|Projects mainly concerned with the import and export of cargoes. However, meetings of the Standing Committee are now being held more frequently and 3 more meetings of the Standing Committee were held between March and August, 1982. The general policy of the Government to buy on FOB and sell on C&F basis to the maximum extent possible so as to retain control over shipment and enable utilisation of Indian vessels was emphasised upon all concerned in the Standing Committee meetings held from time to time and instructions to follow this policy have also been reiterated to all the Ministries|Departments. All-out efforts are made by the Chartering Wing (TRANSCHART) to arrange shipment by Indian vessels to the maximum extent possible and foreign vessels are utilised only when suitable Indian vessels are not available in the required position. It would be worth mentioning in this connection that in so far as shipments of Government owned|controlled cargoes handled through Chartering Wing (TRANSCHART) of this Ministry are concerned, the percentage share of Indian vessels increased from 40.60 per cent in 1980-81 to 49.69 per cent in 1981-82.

5. As mentioned in para 3 of the Resolution dated 17-2-1979, the Committee have the power to co-opt the representatives of the other Ministries|Departments|Public Sector Undertakings|Union Territory administrations and Indian shipping companies as and when necessary.

In accordance with this provision, the following Departments|Public Sector Undertakings have been associated with the Committee in addition to the original members mentioned in para 2 of the Resolution :—

1. Ministry of External Affairs.
2. Ministry of Finance (BPE).
3. Ministry of Railways (Railway Board).
4. Cement Controller.
5. Oil & Natural Gas Commission.
6. Coffee Board.
7. Tobacco Board.
8. Markfed.
9. Projects & Equipments Corporation of India Ltd.
10. Steel Authority of India Ltd.
11. Bharat Electronics Ltd.

It will be seen that the Ministry of Commerce, the Indian National Shipowners' Association and the canalising agencies have representatives on this Committee. More members could be associated as and when considered necessary. As the scope of the Standing Committee is limited to providing better cargo support to Indian shipping companies in respect of Government owned|controlled cargoes being handled by the Chartering Wing (TRANSCHART), it is not considered necessary to associate private shippers with this Committee. However, suitable measures to encourage the Indian importers|exporters in the private sector to give maximum cargo support to Indian vessels are under consideration separately.

6. As regards the recommendation that the Committee should be presided over by the Secretary, Shipping and Transport, it may be mentioned that there is already a 'Transchart Review Committee' headed by the Transport Secretary and comprising representatives of almost all the main Ministries|Departments|Public Sector Undertakings concerned with import and export of cargoes, the Shipping Corporation of India and the Indian National Shipowners Association. A statement indicating functions and composition of this Committee is given below in Annexure-II.

While considering the setting up of the Standing Committee, it was decided to have a smaller Committee at a slightly lower level of Joint Secretary to discuss the shipping problems in greater detail from time to time.

Since there is already a 'Transchart Review Committee' headed by the Transport Secretary and whose function is also to advise generally on the steps to be taken by the Ministries|Public Sector Undertaking and Projects to ensure proper co-ordination and to utilise Indian tonnage to the maximum extent possible, it is felt that the 'Standing Committee' may continue to be chaired by the Chief Controller of Chartering as at present. However, the meetings of the 'Transchart Review Committee' and the 'Standing Committee' will be spaced in such a manner that at least one meeting of the either committee is held in every quarter to keep the position regarding utilisation of Indian vessels under constant review.

[Ministry of Shipping & Transport O.M. No. CW-55 ASOI(24)|82 dated 23-10-82].

ANNEXURE I

Ministry of Shipping and Transport (Transport Wing) Resolution No. 55-ASOI(6)|78, dated 17th February, 1979

The question of securing better cargo support for Indian ships from Government Departments, Public Sector Projects and Undertakings and ensuring better coordination between the Public Sector Agencies, Indian Shipping Industry and the Chartering Organisation in the Ministry of Shipping and Transport (Transchart) has been receiving the attention of Government of India for some time past and it has now been decided to set up with immediate effect a Standing Committee to advise the Government on the measures to be taken to achieve the above objectives.

2. The composition of the Committee will be as under :

1. Chief Controller of Chartering, Ministry of Shipping and Transport, New Delhi	—*Chairman*
2. A representative of Ministry of Commerce	—*Member*
3. A representative of Department of Steel	,,
4. A representative of Department of Industrial Development	,,
5. Chairman, State Trading Corporation of India Ltd., New Delhi.	,,
6. Chairman, Minerals & Metals Trading Corporation of India Limited, New Delhi	,,
7. Chairman Bharat Heavy Electricals Limited, New Delhi.	,,
8. Executive Director (Bulk carrier & Tanker), Shipping Corporation of India Ltd., Bombay	,,
9. Secretary General, Indian National Shipowners' Association, Bombay.	,,
10. Shipping Co-ordination Officer, Ministry of Shipping and Transport, New Delhi.	—*Secretary*

3. The Committee shall have the power to co-opt representatives of other Ministries|Departments|Public Sector Undertakings|State Governments|Union Territory Administrations or Indian Shipping Companies as and when necessary.

4. The terms of reference of the committee shall be :—

(a) to bring about better co-operation and co-ordination between the Government Departments|Public Sector Projects and Undertakings on the one hand and Indian Shipping Companies on the other in order to secure economic rates, timely shipments and maximum possible utilisation of Indian ships ;

(b) to consider possible measures to maximise entering into contracts on FOB|FAS terms for imports and C&F|CIF terms for exports.

(c) to examine specific problems|difficulties in securing shipping space or cargo and possible measures to be taken by Government in this regard.

(d) to examine any other shipping problem brought to the notice of the Committee by Government Departments| Projects or Indian shipping companies.

5. The meetings of the Committee will be held as and when considered necessary.

ORDER

Ordered that a copy of the Resolution be communicated to all Members of the Committee and other Ministries|Departments of the Government of India.

Sd|-

(S. S. GILL),

Jt. Secy. to the Govt. of India.

ANNEXURE II

Statement Indicating Functions and Composition of the Transport Review Committee

FUNCTIONS

(i) to review periodically the activities of the Shipping Co-ordination and Chartering Division in the Ministry of Shipping and Transport ; and

(ii) to advise generally on the steps to be taken by the Ministries, Public Sector Undertakings and Projects to ensure proper coordination in making shipping arrangements for Government owned and/or controlled cargoes by liner and chartered vessels and to utilise Indian tonnage to the maximum extent possible.

COMPOSITION

(A) Chairman, Secretary, Ministry of Shipping & Transport.

(B) Members :

1. Secretary, Ministry of Finance (Deptt. of Economic Affairs), or his representative.
2. Financial Adviser to the Ministry of Shipping and Transport or his representative.
3. Secretary, Ministry of Agriculture and Irrigation (Deptt. of Food) or his representative.
4. Secretary, Ministry of Agriculture and Irrigation (Deptt. of Agriculture) or his representative.
5. Secretary, Ministry of Supply & Rehabilitation (Department of Supply) or his representative.
6. Secretary, Ministry of Commerce or his representative.
7. Secretary, Ministry of Steel & Mines (Deptt. of Steel) or his representative.
8. Secretary, Ministry of Energy (Deptt. of Coal) or his representative.
9. Secretary, Ministry of Petroleum or his representative.

10. Secretary, Ministry of Chemicals & Fertilizers or his representative.

11. Director General of Shipping, Bombay or his representative.

12. Chairman, Food Corporation of India or his representative.

13. Chairman, State Trading Corporation, or his representative.

14. Chairman, M.M.T.C. of India or his reprtsentative.

15. Chairman, Indian Oil Corporation Ltd., New Delhi or his representative.

16. Chairman, Steel Authority of India Ltd., New Delhi or his representative.

17. Chairman, Hindustan Petroleum Corporation Ltd., New Delhi or his representative.

18. Chairman, Shipping Corporation of India Ltd., Bombay or his representative.

19. The President, Indian National Shipowners' Association, Bombay or his representative.

20. Chief Controller of Chartering (Member Secretary).

(C) The Committee shall have the power to co-opt representatives of other Ministries|Departments|Public Sector Undertakings as and when necessary.

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Serial No. 23 (Part II, Paragraph-23)

Agents are engaged by the Shipping Corporation for handling work on their behalf in all ports (about 350) except in ports of Bombay, Calcutta, Port Blair and Mombasa. The Committee feel, that there is no strong justification for continuing the agency arrangement in Indian ports. When railways, which also faces severe competition in high rated freight traffic from road transport, could manage cargo booking on its own, the Committee do not see any reason why a beginning should not be made in extending the departmental handling of Shipping operations which are now confined to only the ports of Bombay, Calcutta and Port Blair. Though the cost of establishing an office may be more than the agency commission paid, the possibility of the Shipping Corporation's own office augmenting revenue more than offsetting the increase in cost cannot be ruled out. This aspect therefore, deserves serious rethinking.

Reply of the Government

It is an international practice for shipowners to entrust agency functions at the ports of call of their vessels to agency firms who are specialised in this field. Generally, it is not economical for a shipping company to maintain its own office establishments at all ports of call. To keep down the cost, therefore, the functions such as booking of cargoes, attending to the requirements of vessels whilst in the port such as arranging of provisions and stores, arranging of repatriation and hospitalisation of crew etc. as also the supervision of cargo handling operations, are handled through agents.

2. For maintaining SCI's office establishment, a minimum office staff has to be engaged and continued. This minimum strength is not linked to the volume of business handled at the port. Further the call of vessels at the port may not be frequent or adequate in which case the staff maintained remains idle, and the overheads continue to be incurred despite lack or inadequacy of business. Agency arrangement enables a shipowner to reduce his overheads. Again, an agent can service a number of owners which minimises the cost of services provided by the agent and in turn he is able to provide his service on competitive basis.

3. Booking of bulk cargoes, dry and oil, is done through a panel of brokers abroad and in India, who with their direct contacts with shippers|charterers and easy access to shipowners through an efficient communication system are able to offer shipments at favourable freight rates.

4. Further, Transchart, which is the chartering wing of the Ministry of Shipping and Transport and which coordinates all Indian Government and Public Sector cargoes, also approaches Indian shipowners for supply of tonnage to move these cargoes.

5. The transportation arrangement for import of the country's crude oil and oil products are co-ordinated by the Government of India's Oil Co-ordination Committee. The rates are agreed to between the shipowners and the oil companies on whose account the oil is imported.

6. All this is done at SCI's Head Office where the decision making round-the-clock communication system, expertise etc. are well placed and centrally organised.

7. Therefore, in the case of booking of bulk cargoes and augmenting the revenue, neither the Agents at different ports have much role, nor is the establishment of a branch for this purpose really necessary.

[Ministry of Shipping and Transport O.M. No. SW|SYO(II)-71|82, dated 14th January, 1983]

Comments of the Committee

Please see Paragraph 17 of Chapter I of the Report.

Recommendation Serial No. 25 (Part II, Paragraph 25)

The Committee went into the agency and the contract arrangement at Madras in some detail. At this port one concern, namely M|s. K. P. V. Sheikh Mohammed Rowther and Co. (Pvt.) Ltd., is the agent of the Shipping Corporation since inception (1961). It is also acting as contractor for stevedoring since inception (1961) and victualling since 1973. Whereas there was no tender for settling the agency arrangement at any time contracts for stevedoring and victualling were not renewed by inviting tenders regularly but were contained by negotiations. Further, this concern has also been receiving substantial payments for ship repair work awarded to its sister concern. The total payments for agency function, stevedoring victualling and ship repair were of the order of Rs. 259.56 lakhs during the year 1980-81. Besides these, the concern has also been awarded contracts for various other items and considerable payments have been made to it. In no other port one part has been engaged for a combination of functions like this. The Committee are strongly of the view that it is not a healthy practice to combine the agency function with any other function in relation to shipping as no independence check on behalf of the Shipping Corporation will be possible. As it is there is not even a skeleton shore establishment in Madras although such establishments have been set up even recently at Singapore and Cochin to supervise the work of the agents.

Reply of the Government

As per the existing procedures adopted in SCI, the arrangements inrespect of purchases of various items of stores and provisions as also the services of recurring nature involving substantial out-go of money are fixed on a contract basis, after inviting tenders by the head office. Generally, these contracts are fixed for a period ranging from 1 year to 3 years depending upon the items of purchases and nature of services. For renewal of the contracts, prior to the expiry of contract period, a market survey is undertaken to ascertain the fresh competitiveness of prices|rates availed under contracts and if it is found that by fixing fresh contracts more economical rates could be obtained, then tenders are invited to finalise new contracts. The running contracts are however, either extended or renegotiated if market survey reveals that no reduction in rates could be possible.

2. Experience in finalising such contracts in Madras has however. shown that either no parties other than M|s. K.P.V.S. quote rates or rates quoted by M|s. K.P.V.S. are found to be competitive. The economic considerations in finalising these contracts cannot also be overlooked completely, in the commercial interest of the Corporation. Moreover, it is being ensured that payments in respect of supply of services are settled strictly in accordance with contract rates|terms.

3. The opening of branch offices at Indian ports where S.C.I. operates through the shipping Agents or to depute S.C.I. representative at such ports, is under constant review on the basis of the volume of work as also economic|commercial consideration.

[Ministry of Shipping and Transport O.M. No. SW|SYO(II)-71|82, dated 14th January, 1983]

Comments of the Committee

Please see Paragraphs 22 and 23 of Chapter I of the report.

Recommendation Serial No. 26 (Part-II Paragraph-26)

The question of setting up a full-fledged office of Shipping Corporation at Madras to eliminate the agency arrangement has come up at the Consultative Committee Meeting of the Ministry from time to time. The Consultative Committee have been informed (December, 1981) that it was economical to have the agency arrangement as the cost of setting up of an office would be Rs. 54.97 lakhs per annum as against the agency Fee of Rs. 33.00 lakhs. Earlier, in a communication dated

21 May, 1981, the Ministry has intimated to the Committee on Public Undertakings, inter-alia, that it would cost Rs. 35.83 lakhs per annum to set up an office at Madras. Explaining such huge difference in the computation of cost within a period of about six months a representative of the Ministry told the Committee that the earlier assessment was based on the handling of cargo during 1978-79 and the revised estimate of December 1981 was after updating based on the tonnage handled during 1980-81 and taking note of new development, however, the Committee note that almost at the same point of time when the cost was intimated (21 May 1981) to the Committee as Rs. 35.83 lakhs, the Consultative Committee were informed (7th May 1981) that the cost worked out to Rs. 57.59 lakhs for 1978-79.

Thus, there was wide divergence in the cost estimates based on the handling of cargo in same year viz. 1978-79 and given almost at the same point of time (May 1981) to this Committee and the Consultative Committee. The Committee, therefore, can not resist a feeling that there was an attempt to somehow make it apear that it was uneconomical to open an office at Madras. In this connection the Committee find that the Ministry did not check the cost estimates at any time and it was only when the Transport Secretary appeared before this Committee, he promised to look into the two sets of figures.

Reply of the Government

It is true that on three different occasions the Ministry has given three sets of figures in connection with the setting up of a full-fledged office of SCI at Madras in order to do away with the Agency arrangements. The three sets of figures as given by the Ministry are :—

(I) Rs. 57.59 lakhs given to the Consultative Committee on 7th May 1981.

(II) Rs. 35.83 lakhs given to the Committee on Public Undertakings on 21-5-1981, and

(III) Rs. 55.97 lakhs given to the Consultative Committee on 22-12-1981.

2. As promised by the Transport Secretary during the evidence before the COPU these figures have been looked into. The result of this scrutiny is as follows :—

The first figure of Rs. 57.59 lakhs given to the Consultative Committee on 7-5-1981 was derived by the SCI from the figures of cargo handling and administrative and establishment expense incurred on Calcutta Office during 1978-79. The Calcutta Regional Office of SCI during 1978-79 incurred an expenditure of Rs. 154.35 lakhs and in terms of revenue tons it handled a cargo of 7.88 lakhs tons. The per ton cost of the cargo handled by the Calcutta office for the year 1978-79 was, thus, Rs. 19.59. During 1978-79 the Shipping Corporation handled a cargo of 2.94 lakh tons at Madras. Based upon the per ton handling cost of Calcutta for the year 1978-79, the cargo handling cost at Madras was, therefore, computed as Rs. 57.59 lakhs (19.59 X 2.94). This pre-rata projection of the per ton handling cost of Calcutta office during 1978-79 to compute the handling cost of Madras during 1980-81 cannot be considered as truly representative cost estimates, because the base year of the handling cost was changed from 1978-79 to 1980-81 without providing for the normal escalation in the handling cost and the cargo throughput. Further the nature of cargo handled at Calcutta is of diverse type as compared to Madras. In short the SCI estimate of Rs. 57.59 lakhs can be categorised as a broad indication of the expenditure involved and not a detailed one taking into account various implications.

The second estimate of Rs. 35.83 lakhs had been given to the COPU on 21-5-1981 based upon the cost estimates furnished by SCI in March 1981 for opening a Branch Office at Madras. Scrutiny of these estimates reveals that SCI did take into account the expenditure on various items such as salaries of Managers and staff, office rent, office equipment, electricity, power, insurance, Municipal taxes, rental of residential flats, car maintenance telephones and telex etc., while projecting the estimate of Rs. 35.83 lakhs. However, this expenditure estimate was related to the actual cargo handled in 1978-79 even though the estimates were furnished by SCI in March 1981. This could be deemed as an error. It should have been possible to base estimates on the cargo handled in 1979-80 or even 1980-81 as certain figures should have been available by that time. Estimates based on 1978-79 cargo figures have resulted in depressing the estimates because these were not updated to conform to the cargo estimates for the year 1980-81 and to that extent were somewhat unrealistic. It is regretted that the Ministry passed on these estimates of SCI without getting them up-dated.

The third figure of Rs. 55.97 lakhs was given to the Consultative Committee on 22-12-1981 based upon the information furnished by the SCI on 16-12-1981. A scrutiny of these figures reveals that the earlier figure of Rs. 35.83 lakhs given to the COPU on 21-5-1981 was updated by the SCI to the base year 1980-81. The cargo handled at Madras increased to 3.53 lakh tons as compared to 2.94 lakhs tons in 1978-79. In this estimate SCI retained the same items of expenditure, but the cost estimates underwent an upward revision by Rs. 20.14 lakhs due to increased cargo through-put. The strength of the staff was projected at 123 instead of 81, resulting in an increase of approximately Rs. 17 lakhs on salaries and wages alone. The office rent was escalated by 1|3rd and similarly other items of estimated expenditure were also revised upwards accounting for the balance increase of approximately Rs. 3 lakhs. It was under these circumstances that the estimate of Rs. 35.83 lakhs furnished to COPU on 21-5-1981 was changed by the

SCI to Rs. 55.97 lakhs within a period of 7 months. These estimates as indicated in the Annexure placed below have been certified by the SCI as realistic. All components of expenditure estimates have been provided for by the SCI as per the staffing pattern followed by them in the opening|running of their offices. These estimates also take into account the expenditure on the operation of the new Madras—Japan service which was started in April 1980 (now discontinued), the increased incidence of container traffic and extensive liaison work with Madras Refinery for tasker operations. In addition expenditure on internal audit, technical service, supply of spares and provisions which was omitted in earlier estimates has also been provided for. These estimates were also passed on by the Ministry to the Consultative Committee.

3. The Ministry has been hitherto accepting the cost estimates furnished by the SCI. The information with which was supplied by the Ministry to the Consultative Committee and the COPU on different occasions was based on the cost estimates furnished by the SCI from time to time. The figures furnished by the SCI were relied upon and conveyed without an in depth analysis at this end. However under the directions of the COPU, the Ministry has now examined the case in more detail. It is unfortunate that SCI has caused avoidable inconvenience to the COPU by making estimates from time to time which lacked consistency and suffered from some other infirmities. For example in the third estimates of 22-12-1981 for Rs. 55.97 lakhs the staff has been increased considerably. The corresponding increase in the requirement of office space has not been taken note of. Likewise it is difficult to explain how an estimated expenditure of Rs. 36,000 p.a. on car maintenance has been stepped up by 100 per cent, within a span of 7 months. These deficiences have pointedly been brought to the notice of SCI management. They have been directed to exercise greater care in the preparation of estimates of expenditure and guard against recurrence of such lapses in future. However it may be mentioned that the Ministry has by and large to accept the staffing patterns proposed by SCI, in the light of SCI's commercial judgement.

4. It may all the same be clarified that there was no malafide attempt, at any time, by the Ministry to mislead the COPU and the Consultative Committee of Parliament on this subject. The inconvenience caused to the Committee on Public Undertakings, as a result of this lapse, is deeply regretted and an apology is offered.

5. This issues with the approval of Secretary (Transport).

[Ministry of Shipping and Transport O.M. No. SW|SYO(II)-71|82, dated 10th February, 1983]

ANNEXURE I

Expenditure on staff and other items on opening of SCI's Office at Madras taking 1978-79 as the base year

(A) Expenditure staff category	No.	Salaries, allowances and computation of cost of leave, gratuity, medical, LTA and fringe benefits (Per Months)
		(Rupees)
Manager	1	5,840
Joint Manager	1	5,330
Deputy Managers(Junior)	3	13,800
Assistant Managers	5	19,770
Junior Officers	9	27,090
Section Heads	7	20,650
Assistants including Receptionist	29	68,440
Stenos	4	9,440
Telex Operators	2	4,720
Typists	5	11,860
Peons	7	11,730
Chauffers	3	6,240
Watch/Ward(3) and Sweepers(2)	5	5,000
	81	2,09,910
For one year		25,18,920 (A)

(B) Annual Recurring Administrative Expenditure	
	(Rupees)
Office rent for about 12650 sq.ft @Rs.3 p.m. per sq. ft.	4,55,400
Office equipment, Airconditioning, Electricity, water, insurance, repairs etc.	3,55,600
Municipal taxes	75,900
Residential flats 6—rental	1,12,800
Garages 6—rental	9,600
Car maintenance (6 cars)	36,000
Rental of two telex machines	8,400
Telepones	10,200
	10,63,900 (B)
Total annual cost (A)+(B)	35,82,820
	or Rs.35,83 lakhs

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ANNEXURE II

The details of estimated expenditure on the opening of SCI's office at Madras taking 1980-81 as the base year

Per Annum

Salaries/Wages etc.	Rupees
1. Salaries/Wages etc. including perquisites such as Residential accommodation, cars etc. for about 123 staff members as per enclosure	42,00,000
2. Office Rent for about 12650 sq. ft. @Rs. 4/-p.m. per sq. ft.	6,07,000
3. Office equipment, circonditioning electricity, water, insurance repairs etc.	3,90,000
4. Municipal Taxes	83,000
5. Residential Flats—6—Rental	1,24,000
Garages—6—Rental	11,000
6. Car maintenance 6—Cars	72,000
7. Office stationery, printing about Rs. 18,000/-p.m.	18,000
8. Conveyance—Miscellaneous expenses	12,000
9. Depreciation on furniture & Fixture	80,000
	55,97,000

Rank	No. of Persons	Emoluments (Rupees)	Total amount per month (Rupees)	Total amount/per year (Rupees)
1	2	3	4	5
R.D.	1	6,140	6,140	73,680
Manager	1	5,840	5,840	70,080
Joint Manager	5	5,500	27,500	3,30,000
D.M. (Sr.)	5	5,083	25,415	3,04,980
D.M. (Jr.)	7	4,683	32,781	3,93,372
A.M.	7	3,954	27,678	3,32,136
J.O.	10	3,000	30,000	3,60,000
S.H.	12	2,500	30,000	3,60,000
Assistant	36	2,350	84,600	10,15,200
Dapthary	6	1,800	10,800	1,29,600
Peons	12	1,800	21,600	2,59,200
Drivers	4	1,800	7,200	86,400
Typists	8	2,350	18,800	2,25,600
Telex/Telephone Operators	6	2,350	14,100	1,39,200
Steno	3	2,500	7,500	90,000
	123		3,49,954	41,99,448

Say Rs.42 lakhs

Comments of the Committee

Please see Paragraphs 22 and 23 of Chapter I of the Report.

Recommendation Serial No. 27 (Part II, Paragraph-27)

The agent in Madras handled on behalf of the Shipping Corporation collection of revenue to the extent of about Rs. 11 crores and defrayal of expenditure to the extent of Rs. 8 crores per annum. It is significant to note that the deductions made in the bills submitted by the agent, as a result to international audit, were as high as 13 to 16 per cent in respect of repairs work. Complaints have also been received against the partly by the Ministry from responsible men. Further, compensation claims outstanding during 1980-81 at Madras were of the order of Rs. 98.97 lakhs (Rs. 162.19 lakhs in 1979-80). All these reflect badly on the working of the agent.

Reply of the Government

The Shipping Corporation of India has certified that repair bills of all workshops in India and abroad are carefully scrutinised and deductions are inveriably made before the final price is negotiated. The reductions in repair bills from Madras fall in line with the general practice and the percentages of deductions are by no means unusual.

2. The revenues in respect of oil cargoes discharged at Madras by SCI's tankers are on Indian Oil Corporations' account who pay their freight directly to the Shipping Corporation. Likewise, in respect of the bulk cargoes like iron ore, fertilizers etc. loaded|discharged at Madras by bulk carriers, for freights are collected directly from the Charterers like MMTC., Food Corporation of India Ltd. etc.

3. No commission on freight earnings of bulk carriers and tankers is paid to Agents because freight amounts are directly collected by SCI from the Charterers viz. MMTC., IOC etc. In respect of these categories of vessels what is paid to the Agents is only the agency fee for attending to them when they call at their port.

4. Only running repairs for SCI's bulk carriers and tankers are undertaken at Madras. Adequate repair facilities are not available at Madras for carrying out any major repair work to many of SCI's large size bulk|combination carriers and tankers.

[Ministry of Shipping and Transport O.M. No. SW|SYO(II)-71|82, dated 14-1-1983].

Comments of the Committee

Please see Paragraphs 22 and 23 of Chapter I of the Report.

Recommendation Serial No. 28 (Part II, Paragraph-28)

In view of the foregoing the Committee are not in a position to approve the present arrangement in Madras based on the centralisation of various functions in one concern. It is not safe to leave all these functions in the hands of a private company especially when Madras accounts for the highest quantum of cargo of Shipping Corporation in the Country. It is regrettable that there is not even a small shore establishment headed by a fairly senior officer in Madras to supervise the work of the agent and the contractor. The Committee are therefore, of the opinion that the commercial interests of the Shipping Corporation demand a full-fledged office in Madras. If, however, for any reason there is delay in opening such an office the least that should be done in the meantime is to see that the agency functions is allotted to a party not concern with another functions relating to shipping.

Reply of the Government

It is an international practice for shipowners to entrust agency functions at ports of call of their vessels to agency firm who are specialised in this field. Generally, it is not economical for a shipping company to maintain its own office establishments at all ports of call. To keep down the cost, therefore, functions such as booking of cargoes, attending to the requirements of vessels whilst in the port, arranging of provisions and stores, arranging of repatriation and hospitalisation of crew etc. as also supervision of cargo handling operations, are handled through agents.

2. For maintaining SCI's office establishment at Madras a minimum office staff has to be engaged. This minimum, strength does not remain strictly linked to the volume of business handled at the por. Further, the call of vessels at the port may not be frequent or adequate in which case the staff maintained would remain idle, and the overheads would continue to be incurred despite lack or inadequacy of business. Agency arrangement enables shipowner to reduce his overheads. Further, an agent can service a number of owners which minimises the cost of his services and, in turn, he is able to provide his services on competitive basis.

3. The question of opening of branch offices at Indian ports which SCI operates through the shipping agents, vis-a-vis deputing of SCI's representative at such ports is under constant review on the basis of the volume of work as also economical|commercial consideration.

[Ministry of Shipping and Transport O.M. No. SW|SYO(II)-71|82, dated 14-1-1983].

Comments of the Committee

Please see Paragraph 22 and 23 of Chapter I of the Report.

Recommendation No. 31 (Part II, Paragraph-31)

There is a case for detailed cost study of the operation of the Shipping Corporation. The Committee recommend that this should be entrusted to an independent agency like BICP in consultation with the BPE. The cost study should also include a review of the staffing pattern with a view to evolve suitable norms.

Reply of the Government

All operations which the Shipping Corporation undertakes are thoroughly evaluated before they are undertaken.

2. In respect of all fixtures made for bulk carriers and tankers either on voyage|time charter or on Contract of Affreightment basis, the estimated results are calculated and gone into by the management fully.

3. Every time of direct and indirect expenditure which is amenable to control, under goes rigorous system of evaluation.

4. In the case of every dry dock proposed, quotations are called for from various reputed shipyards and are carefully scrutinised. The rates are thereafter negotiated and the contract awarded to the most economical and suitable shipyard, keeping in view the quoted cost of repairs, cost of ballasting and costs relating to the period of lay-up. SCI also endeavours to carry out maximum amount of maintenance| repair by the ships' staff themselves during the voyage itself.

5. Spare parts are purchased from abroad on the basis of competitive quotation received and at a minimum level required for safe operation of the ship. In case of purchase from indigenous sources, the offers are technically scrutinised, audited and orders are placed by a Committee of authorised officers.

6. Fuel costs are controlled in the following manner :—

(i) Entering into long-term bunker contracts with major suppliers to ensure supplies at foreign ports and where contracts are not entered into, purchases are generally decided after inviting quotations. Control is also exercised by deciding most economical ports for lifting bunkers with due regard to Commercial|Technical Considerations.

(ii) Taking measures like monitoring bunker consumption of ships, operating vessels at optimum|minimum speed, modify propellers to improve engine performance etc., towards minimising expenditure on fuel.

7. In the case of handling of bulk cargoes at ports of loading and discharging, there are no stevedoring expenses involved since the shipments are generally made on Free in and out (FIO) terms.

8. The Shipping Corporation, over the years has also developed a cadre of personnel capable of analysing different aspects of costs expenditure and suggesting measures towards minimising these. Notwithstanding the acute shortage of manpower, every operation is conducted under a system where Cost Consciousness is inbuilt.

[Ministry of Shipping and Transport O.M. No. SW|SYO(II)-71|82 Dated 14-1-83.]

Comments of the Committee

Please see paragraph 29 of Chapter I of the Report.

Recommendation No. 32 (Part-II, Paragraph-32)

The cargo handling cost is the largest single component of the operating expenses. A comperative picture of cost of handling cargo at the ports of Bombay, Calcutta, Madras and Cochin furnished to the Committee revealed that the handling charges at Calcutta were very high. The statistics of port delays that contributed to the slow turn round of ships enhancing the cost of operation revealed that there was maximum delay in Bombay port during 1979-82. Unless the cargo handling cost in all the ports is put on a fairly uniform basis there can be no possibility of diversifying the shipping with a view to ease the congestion in Bombay Port. This aspect, therefore, deserves serious consideration.

Reply of the Government

In the past, the rates at the older ports like Bombay, Calcutta and Madras developed historically over the years without any direct relationship with the costs of the specific services rendered. In the case of the newer ports like Kandla, New Mangalore and Tuticorin the rates were fixed on a comparative basis, with reference to the rates prevalent at he neighbouring ports.

2. The Major Port's Commission had examined in 1970 the effectiveness of the system of rates and charges, then in vogue at the major ports, to produce a level of earnings to meet the total costs (including depreciation) on which viability of the ports depend. They recommended that along with the cost considerations, the ability of the traffic to bear the charges, which may vary from commodity to

commodity, should also be taken into account. In the case of low value commodities, the ports should recover atleast the direct or actual costs of handling the commodities without any provision for depreciation or overheads. These cost constituted the floor in the rating system. For commodities of higher value and comparatively smaller in bulk, higher rates may be prescribed on the principle of 'what the traffic can bear' which would constitute ceiling in the rating system. The actual rates for various commodities should range between these two limits, *viz.* the direct costs and the ability of traffic to bear, and be so fixed as to realise revenue adequate to cover the total cost of the port and yield a proper return. The Government had accepted this recommendation and the ports were advised to follow it.

3. Comprehensive review of port finances and tariffs was undertaken by the major ports in 1975. Efforts were made to revise the tariff structure in such a way that the charges bore to extent possible a direct relationship to the cost of providing services and facilities. Each sub-service under each principal activity was deemed to be a cost centre and an effort was made to match the income with the cost in each case.

4. The study of the rates structure of the Major Ports was entrusted in 1981 to the Bureau of Industrial Costs and Prices, which has since submitted its report which is under consideration of Government.

5. The port rates and charges are fixed after detailed deliberations by the Trustees at the Board meetings. The various user interests like Chambers of Commerce, shipping industry, shippers, clearing and forwarding agents and agencies like MMTC, STC, IOC, FCI, etc., are represented on the Port Trust Boards and their views are taken into account before decision is taken by the Board.

6. The rates and charges at each port depend upon various factors such as local conditions and nature of operations, traffic pattern at that port, cost of the service and capacity of the trade to bear. Since these factors differ from port to port, there is no uniformity in the rates and charges of different ports.

7. Cargo handling rates at the Major Ports form a small portion of total cargo transportation costs incurred by the shippers, and therefore, congestion in Bombay Port cannot be eased merely by bringing uniformity in cargo handling costs in all the ports.

8. As regards container handling, the Committee which was constituted by the Government to examine the container handling cost

at various ports and suggest a uniform rate for handling containers at various ports, has submitted its report. This is under consideration of the Government.

[Ministry of Shipping and Transport O.M. No. SW|SYO(II)-71|82 Dated 14-1-83.]

Comments of the Committee

Please see paragraph 29 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation Serial No. 17 (Part II, Paragraph 17)

The Shipping Corporation operates 4 passenger-*cum*-cargo services, *viz.*, Madras-Malaysia-Singapore, Rameswaram-Talaimannar, Mainland-Andaman Nicobar Islands and Mainland-Lakshdweep Island. The Corporation has been losing in all these services. Of these, the latter 3 are operated on non-commercial consideration as per specific directive from the Government. Although earlier the Corporation was reimbursed fully the excess of expenditure over income on these services it was stopped subsequently. It was finally decided that so long as the Corporation made overall losses Government would reimburse 80 per cent of the loss on the Mainland-Andaman Islands and Mainland-Lakshadweep Islands services alone. The annual losses on these two services are about Rs. 8 crores. The Committee are of the view that wherever government specifically direct the Shipping Corporation to operate unremunerative services subsidy equal to the losses should be given in order that it may help the Corporation to maintain those services well in public interest and also generate some internal resources. In this connection, the Committee wish to place on record the impression of their Study Group which visited Madras that the maintenance of a ship operated in the Madras|Andaman sector was to say the least very poor.

Reply of the Government

Out of the 4 passenger-*cum*-cargo services, the Rameswaram-Talaimannar service was operating at a loss till the year 1979-80. It has since turned the corner on account of increase in passenger traffic and is now being run by the SCI at a marginal profit as indicated below:—

1980-81 . . .	—Rs. 10.11 lakhs
1981-82 . .	—Rs. 30.28 lakhs
1982-83 . .	—Rs. 29.23 lakhs (estimated) .

2. The Committee have expressed the view that wherever Government specifically direct the SCI to operate unremunerative services, subsidy equal to the losses should be given in order that it may help the Corporation to maintain those services well in the public interest and also generate some internal resources.

3. In this connection it may be stated that this Ministry had considered this matter in the past in regard to Andaman and Lakshadweep shipping services being operated at a loss by the SCI, at the instance of the Government. The Cabinet had then decided that 80 per cent of the losses incurred by the SCI on the Mainland Andaman and Mainland Lakshadweep services may be reimbursed to the Company if and when it was in overall loss. In other words, the SCI was not to be reimbursed any losses in the year in which it earned over-all profit. The matter was again considered in consultation with the Ministry of Finance, at the Minister's level, for subsidising the losses to SCI in the operation of these services at least to the extent of 50 per cent, delinked from the over-all profitability of the company. The Minister of Finance, however, observed "that the grant of 80 per cent subsidy on these services during 1977-78 to 1979-80 when SCI incurred losses, was a part of the total financial rescue operation put in by the Government in its crisis years. Now that SCI is again earning profits, there is obviously no need to continue this subsidy. SCI has a well diversified fleet and is running certain highly remunerative services. It should not be difficult, therefore, for it to subsidise its losses on the Andaman-Lakshadweep services in line with the general policy of the Government, which is more relevant than ever in the present economic situation." It was added that there should be no reluctance on the part of the SCI to provide|improve these services. These services have been entrusted to the SCI by the Government for fulfilling its social obligation and SCI have to operate these in an efficient manner. In the light of the specific recommendation, the matter is being taken up with the Ministry of Finance once again.

4. The Study Group of the Committee visited "MV Andaman" at Madras, which is a 25 year old ship, soon after the passengers had disembarked at Madras and the ship then required cleaning up. The ship was then on its last voyage prior to lay-up for APS at Calcutta in early December, 1981. After the above survey and necessary repairs had been carried out, the condition of the ship improved and no complaints have been received.

[Ministry of Shipping and Transport O.M. No. SW|SYO(II)-71|82 Dated 14-1-83.]

Recommendation Serial No. 33 (Part II, Paragraph 33)

The net foreign exchange earnings|savings as worked out by the Shipping Corporation were Rs. 101 crores in 1978-79, Rs. 160 crores in 1979-80 and Rs. 200 crores (estimated) in 1980-81. These look impressive but the Committee would suggest that the basis for the computation of indirect foreign exchange earnings|savings should be scrutinised by the Department of Economic Affairs and the Reserve

Bank of India and specifically approved by them so that there could be a uniform basis.

Reply of the Government

The basis for the computation of SCI's contribution to India's Balance of Trade, as furnished by the Corporation are given as under :—

(i) *Earnings*

The operating earnings of the Corporation can be broadly categorised as under :—

(1) Actual collections in foreign currencies.

(2) Actual collections from bilateral countries where transactions are in rupees.

(3) Collection in Indian rupees in respect of overseas services.

(4) Rupee earnings in respect of coastal trade.

Items (1) and (2) are considered as direct foreign exchange earnings and item (3) is treated as indirect foreign exchange saving on the assumption that if an Indian Line were not to operate, these freight earnings would have been repatriated out of India by foreign shipping companies. On this basis, the entire operating earnings with the exclusion of coastal trade earnings, has been treated as a foreign earning and saving.

(ii) *Expenditure*

All direct or indirect operating expenses and charter hire outgo acutally incurred|disbursed in foreign currencies as well as payments to bilateral countries have been treated as foreign exchange outgo. In addition, direct operating expenses incurred in Indian ports, excepting on bunker, have been treated as indirect foreign exchange outgo on the assumption that, if a foreign shipping line were to operate, the freight earnings in Indian ports would have been repatriated out of India only after making disbursements for direct operating expenses in Indian Ports. As regards bunker, it has been assumed that the bunker lifted in Indian Ports by foreign operators would be insignificant.

The above position was brought to the notice of the Ministry of Finance (Deptt. of Economic Affairs) and they were requested to approve the basis adopted by the SCI in consultation with the Reserve Bank of India.

The Ministry of Finance have informed us on 3-2-83 that the matter is still under their examination in consultation with the Reserve Bank of India. After a final view is taken in the matter by the Ministry of Finance, the SCI will be instructed to adopt the same for working out their net Foreign Exchange earnings.

[Ministry of Shipping and Transport O.M. No. SW|SYO(II)-71|82 dated 7-2-1983.]

NEW DELHI;
April 5, 1983.
Chaitra 15, 1905(*S*)

MADHUSUDAN VAIRALE,
Chairman
Committee on Public Undertakings

APPENDIX

(*Vide* Para 3 of Introduction)

Analysis of Action Taken by Government on the recommendations contained in the Forty-third Report of the Committee on Public Undertakings (Seventh Lok Sabha).

I.	Total number of recommendations made	34
II.	Recommendations that have been accepted by the Government (*vide* recommendatinons at S. Nos. 1, 2, 3, 4-6, 7, 8-10, 11, 14, 15, 16, 18-22, 24, 29, 30 and 34)	23
	Percentage to total	67.6%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (*vide* recommendations at S. Nos. 12 and 13) .	2
	Percentage to total	5.9%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (*vide* recommendations at S. Nos. 23, 25-28, 31 and 32)	7
	Percentage to total	20.6%
V.	Recommendations in respect of which final replies of Government are still awaited (*vide* recommendations at S. Nos. 17 and 33)	2
	Percentage to total	5.9%

MGIPRRND—32 LSS/82—V-D/S—10-4-1983—1,125.