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MINISTRY OF SURFACE TRANSPORT
COASTAL SHIPPING

ESTIMATES COMMITTEE
1994-95

FORTY-SIXTH REPORT

TENTH LOK SABHA



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LOK SABHA SECRETARIAT
NEW DELHI

FORTY-SIXTH REPORT

ESTIMATES COMMITTEE 1994-95

TENTH LOK SABHA

**MINISTRY OF SURFACE TRANSPORT—
COASTAL SHIPPING**



Presented to Lok Sabha on 15 December, 1994

**LOK SABHA SECRETARIAT
NEW DELHI**

December, 1994/Agrahayana, 1916 (Saka)

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COMMITTEE ON COASTAL SHIPPING.

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* Not printed. One cyclostyled copy laid on the Table of the House and 5 copies placed in .

COMPOSITION OF THE ESTIMATES COMMITTEE
(1994-95)

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4. Shri Pawan Kumar Bansal
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SECRETARIAT

1. Shri S. C. Gupta — *Joint Secretary*
2. Shri K. L. Narang — *Deputy Secretary*
3. Shri R. S. Sharma — *Assistant Director*

INTRODUCTION

1. The Chairman of Estimates Committee having been authorised to submit the Report on their behalf, present this Forty-Sixth Report on the Ministry of Surface Transport—Coastal Shipping.

2. The Committee considered the replies given by the Ministry of Surface Transport to a detailed questionnaire issued on the subject whereafter the Committee took evidence of the representatives of the Ministry on 2nd December, 1992. The Committee wish to express their thanks to the officers of the Ministry of Surface Transport and Planning Commission for placing before them the detailed written notes on the subject and for furnishing information desired in connection with the examination of the subject. The Committee also appreciate the frankness with which the officials/representatives shared their views, perceptions and constraints with the Committee.

3. The Report was considered and adopted by the Committee at their sitting held on 4th October, 1994.

4. The Report is divided into six chapters—each devoted to specific aspects. The Committee have, *inter-alia*, made the following important recommendations:

- (i) In future the Government should make specific allocation for development of Coastal Shipping and achievement of targets both physical as well as financial in the planning process.
- (ii) A study may be conducted to assess the scope of diverting certain percentage of commodity cargo from the roads/railways to coastal shipping. The study should also suggest measures which can be introduced to make coastal shipping more appealing to the users.
- (iii) In order to improve the situation, existing old/overaged vessels involving high maintenance and operating costs should be replaced with new vessels which should be modern, fuel efficient, small and suitable to meet the requirements of Indian ports and development of coastal trade.
- (iv) To give impetus to development of coastal shipping availability of concessional finance for acquisition of ships either by the Ministry of Finance or by the Shipping Credit and Investment Corporation of India should be reconsidered favourably.
- (v) The Directorate of Coastal Shipping should function as an agency between the Central and the State Governments in order to have proper coordination and liaison between Major and Minor ports. The Directorate of Coastal Shipping should also undertake a study about the scope of improvements in the facilities for cargo handling at the various ports.

(vi)

(vi) Government should urgently take concrete steps to improve the state of Coastal Shipping by removing the constraints identified by various Committees and implementing the recommendations made by them.

(vii) Government should take gradual measures to revise passenger fares and freight rates so as to cover the operating cost of shipping service in mainland island coastal traffic to minimise the losses.

5. The Committee would like to express their thanks to the Estimates Committee (1992-93) for taking evidence on the subject and obtaining valuable information thereupon.

6. For facility of reference the recommendations/conclusions of the Committee have been printed in bold type in the body of the Report and have also been reproduced in consolidated form in Appendix II of the Report.

NEW DELHI;

November 24, 1994

Agrahayana 3, 1916(S)

DR. KRUPASINDHU BHOI,

Chairman,

Estimates Committee.

CHAPTER I

INTRODUCTORY

A. Historical Perspective on National Shipping Policy

1.1 The history and growth of modern Indian Shipping begins with the pioneering efforts of M/s. Scindia Steam Navigation Co. in April, 1919 when, in the teeth of opposition from the British and European Shipping Companies, Scindia's Merchant Ship 'Loyalty' sailed from Bombay to U.K. The Coastal Shipping during the period was open to British interests as well as Indian and the latter had to compete unequally with the deeply entrenched British Shipping Companies. The Indian Shipping had to confine itself to the Indian Coast alone and was not allowed to flourish till 1947. The tonnage was so small that even the alien Government had recognised, in the light of their experience during the Second World War and Bengal famine, that tonnage had to be increased if the essential movements were to be catered for. They accordingly, appointed a Re-Construction Policy Sub-Committee on Shipping in 1945 under the Chairmanship of Late Sir, C.P. Ramaswamy Iyer. The Sub-Committee in its report, *inter-alia*, recommended 100% reservation of coastal cargo for Indian Ships. The Government of India Resolution of July 12, 1947, endorsed these recommendations of the Reconstruction Policy Sub-Committee and thus emerged the National Shipping Policy of India.

National Shipping Policy since Independence

1.2 The first step which the Government of India took to implement the National Shipping Policy in the early years of independence was to reserve the entire coastal trade to National Shipping. The Coastal Trade Reservation Act was passed in 1950 and through the operation of the licensing system, the foreign ships employed on the coast were progressively eliminated by 1952 in respect of dry cargo movement. The relevant section in the Merchant Shipping Act section 407 states that no ship other than an Indian ship or a ship chartered by a citizen of India or a company shall engage in the coasting trade of India except under a licence granted by the Director General of Shipping. However, the Government has relaxed for an experimental period of one year, these regulations, on certain conditions, in favour of foreign lines in respect of the carriage of container transshipment cargoes at Indian ports.

1.3 Asked to explain the conditions on which these regulations were relaxed, the Secretary, Ministry of Surface Transport stated during evidence:—

“Representations were received by the Government from some of the major ports having fullfledged container handling facility, that they are not able to bring their mainland vessels to the Indian ports as facility for transshipment of containers from one Indian port to another by foreign feeder line is not available. They have stated that if they are permitted to make their own arrangement they will be able to bring their own main lines where the containers meant for all the Indian ports will be unloaded. Government, after having looked into, decided that it would be advantageous to relax the conditions in favour of these foreign shipping lines which are prepared to bring shipment containers direct from their origin to Indian ports and from Indian ports direct to their destination. As those are likely to increase the container traffic at Indian ports, the Government has decided that cabotage will be available for five years.”

1.4 On being asked about the effects of this relaxation and the experience of Government in this regard, the Secretary added:

“It has been done very recently. Therefore, I do not have any comment to make.”

B. Plan Provisions

1.5 Transport Policy including that relating to development of coastal shipping has been enunciated in the Five Year Plans. For instance, during the 7th Five Year Plan, thrust areas for development of coastal shipping had been indicated and included removal of constraints affecting coastal shipping, replacement of overaged vessels by modern fuel efficient vessels, simplification of port and customs procedures, simplification of freight tariff etc.

1.6 Asked to dwell upon the targets fixed for coastal shipping in the Seventh Five Year Plan, DG (Shipping) during evidence stated:

“No separate targets for coastal shipping were fixed. The targets were fixed in terms of the shipping as such.”

In response to a query, the representative replied that the same practice was continuing.

1.7 The Secretary, Ministry of Surface Transport informed during evidence that the present allocation under the Eighth Five Year Plan was Rs. 3400 crores.

The Secretary further stated:

“The major allocation is for shipping sector, which means to Shipping Corporation of India, and there is nothing else.”

Enquired whether this did not amount to neglecting the coastal shipping, the DG(Shipping) stated:

“I quite accept it and efforts will now be made to try to see as to how we can demarcate the coastal shipping and other.”

Conclusions and Recommendations

1.8 The Committee are apprised that Section 407 of the Merchant Shipping Act has reserved coastal shipping for national shipping lines. The Committee find that the Government has recently relaxed these conditions for five years in favour of foreign shipping lines enabling them to bring shipment containers direct from their origin to Indian ports and from Indian ports direct to their destination.

Recommendation

1.9 The Committee, however, desire that a constant monitoring of these changes in Cabotage laws is essential so that the facilities afforded to the foreign lines are not at the cost of the indigenous shipping industry. A review of these facilities should accordingly be conducted on completion of two years to find out the benefits accrued to the industry as a whole and the impact of such measures on the indigenous shipping industry.

1.10 The Committee are informed that Transport Policy in regard to coastal shipping has been enunciated in the Five Year Plans. The Committee, however, find it surprising that no separate targets have been fixed for coastal shipping in Five Year Plans and the targets set are for shipping sector as a whole. Due to this practice it is very difficult to understand as to what extent investment was made for development of coastal shipping. The Committee feel that there is adequate potential for further growth in the coastal shipping and that separate targets for coastal shipping should be set forth in the Five Year Plan.

Recommendation

1.11 The Committee recommend that in future the Government should make specific allocation for development of coastal shipping and achievement of certain targets both physical as well as financial in the planning process as early as possible.

CHAPTER II

COASTAL SHIPPING AND LAND MODES OF TRANSPORT

A. Resource/Economic Cost

(i) National Transport Policy Committee, 1980

2.1 National Transport Policy Committee has analysed the resource cost for six coal origin/destination points and two Salt points and these costs were estimated for transportation by (a) Railway only, (b) Road only, (c) Railway to the port and then by coastal shipping under two sets of assumptions on Ship utilisation which essentially reflected port efficiency. These are (i) continuation of the actual 1980 utilisation and (ii) a significant improvement in vessel utilisation and port conditions. This study compares the resource cost in the form of index number in which Railway cost is taken as 100. The result of these studies are summarised in the following Table:—

RESOURCE COST OF COSTAL SHIPPING AND ALTERNATIVES, 1980

Route	Commodity	Rail	Road	Rail/coas- tal shipping (existing efficiency)	Rail/coas- tal ship ping (Im- proved ef- ficiency)
		(kilometres in brackets)			
		Index base: rail cost/tonne=100			
Andal-Haldia	Coal	100	102.3	99.3	78.5
Tuticorin-Madurai		(2419)	(2174)	(2864)	(2390)
Andal-Haldia	Coal	100	127.5	116.2	92.3
Cochin-Snoranpur		(2321)	(2215)	(3037)	(2608)
Andal-Haldia	Coal	100	100	123.2	92.1
Tuticorin		(2579)	(2355)	(2704)	(2390)
Andal-Haldia	Coal	100	102.4	89.4	59.4
Cochin		(2442)	(2321)	(2922)	(2608)
Andal-Haldia	Coal	100	126.6	99.9	73.5
Navalakh-Surendra Nagar		(2059)	(1894)	(4826)	(4362)
Andal-Haldia	Coal	100	101.0	101.5	72.5
Navalakh		(2209)	(2058)	(4676)	(4362)
Tuticorin-Calcutta	Salt	100	115.9	84.1	64.5
		(2460)	(2345)	(2390)	(2390)
Lhavnagar-Calcutta	Salt	100	113.6	98.0	73.1
		(2320)	(2187)	(3884)	(3884)

The above mentioned study has taken into account the effect of mode of transport on the distance.

(ii) *RITES Report on Modal Costs—November, 1987*

2.2 Rail Techno-Economic Surveys carried out, on behalf of Planning Commission, a Modal Resource Cost Analysis. The findings again in index form are summarised below:—

ECONOMIC COST OF COASTAL SHIPPING AND ALTERNATIVES, 1984-85

Route	Commodity	Index base: rail cost/tonne=100 (kilometres in brackets)		
		Railway	Road	Coastal Shipping
Haldia Madras	Oil	100	215	47*
		(2062)	(1641)	(1111)
Andal-Haldia Tuticorin	Coal	100	175	70**
		(2579)	(2355)	(2241 sea+ 314 rail)
Calcutta-Kandla	Salt	100	183	137*
		(2389)	(2575)	(4634)

*. Without ballast leg.

** . With ballast leg.

The following quotations from the RITES report is relevant:

“Sensitivity analysis reveals how inordinate delay at the port and sub-optimal capacity utilisation, due to inadequacy of (depth of water) time consuming..... procedural requirements, overaged obsolescent fleet, etc., adversely affect the competitive advantage of coastal shipping which has intrinsic technological superiority in terms of (i) economic of scale ... and (ii) fuel and land use efficiency.....”

PLANNING COMMISSION, APRIL, 1987

2.3 In their publication “Transport Planning Frame work: Policy, Issues and Perspectives”, the Planning Commission gives diagrams from which the break-even distances at which, in suitable circumstances, sea transport becomes the favoured mode in relation to (a) road and (b) railway transport.

For the transport of coal, the Planning Commission estimate that sea transport is preferable to road for distances in excess of about 700 Kms.

The distance at which sea transport becomes preferable to railway transport is about 1150 Kms. For the transport of oil, sea transport appears preferable to road transport for distances in excess of about 190 Kms. and the distance at which sea transport becomes preferable to rail is about 650 Kms.

RITES DRAFT REPORT ON THE SUPPLY OF COAL TO POWER STATIONS, DECEMBER, 1988

2.4 In their draft report to the Central Electricity Authority on the distribution of coal to the large number of power stations which are being considered for the next two five-year plans, and which would, if implemented, increase the quantity of coal at present being moved coast-wise by 48 million tonnes per year, RITES have estimated total distribution costs for a very complex network of alternative transport modes. They present their results in the form of net present values (NPV's) of the three main transport options for two levels of throughput, and in terms of economic and financial costs. Their tabulated estimated NPV's in index form with the all rail option=100 are summarised below:

(i) Stage 2, coal throughput 12.4 million tonnes/year.

Option	Financial Cost	Economic Cost
Coastal Shipping	61	65
All Rail	100	100
Slurry	81	84

(ii) Ultimate Stage, coal throughput 48.4 million tonnes/year.

Option	Financial Cost	Economic Cost
Coastal Shipping	58	62
All Rail	100	100
Slurry	74	76

ENERGY EFFICIENCY

2.5 National Transport Policy Committee has analysed the data regarding energy intensity of different modes of transport which indicate that energy intensity of various modes of transport varies significantly, as may be seen from the following Table:

Mode	Energy Intensity (BTU per Tonne Kilometre)	
	1	2
Steam Train		2765
Diesel Train		166
Electric Train		106

1	2
Diesel Truck	1587
Barge	328

From the above Table it may be observed that Coastal Shipping is less efficient as compared to Diesel Train and Electric Train but more efficient as compared to Steam Train and Diesel Truck.

B. Railway Freight

2.6 The comparative statistics of Railways *vis-a-vis* coastal shipping are not readily available with the Ministry. However, considering the fact that Railways carry a large number of commodities and the volume carried by them is also large, the Railways have the flexibility of cross subsidising the commodities with a view to maximising their revenues. On the other hand, in the case of coastal shipping, the number of commodities moved are comparatively fewer and the volume is also small. It is not possible for this mode of transport to afford the luxury of cross subsidisation.

2.7 The Secretary, Ministry of Surface Transport reflecting on the advantages of coastal shipping stated during evidence:

“In terms of energy efficiency, it is a very highly efficient mode of transport. Its efficiency is less than the diesel or electric locomotive and certainly very high as compared to the road transport. It was because of this reason that this matter was taken up by a Committee of Secretaries and ultimately it was decided that the future of coastal shipping would mainly lie in the project related traffic for the projects which are located along the coasts and the raw material is brought upto that point; or the finished products could be taken from the project-site to a certain point from where it could be taken by another mode of transport.”

The Secretary further added:

“We have also asked the Railways to prepare an integrated plan of coastal-cum-railway traffic in respect of those commodities where two modes of transport are required. The Committee (of Secretaries) was of the view that all project related traffic along the coast should be, to the extent it is feasible, by coastal shipping.”

2.8 It has been stated in a non-official memoranda furnished to the Committee that keeping in view the fact that transportation over long distances is concentrated on the Railways even though coastal shipping provides an economically cheaper alternative to long haul movement for bulk commodities. In light of the foregoing statement the Committee wanted to know the reaction of the Government to the statement that investments in coastal shipping development should be increased based on long range strategic plans for transport development by treating railways

and coastal shipping as alternative options. To this, the Secretary, Ministry of Surface Transport reacted as under:—

“We entirely agree. Based on the traffic projections and constraint of resources, we agree with the view given by them.”

2.9 On being asked about the views of the Planning Commission on the same, the Adviser (Tpt.), Planning Commission expressed his views stating as under:

“The coastal shipping and Railways are alternative modes. To the extent that these two modes do not compete with the same corridors, the findings of the FICCI is not valid. It is only valid if the cargo originates and terminates in the same areas. What is happening is that the coastal cargo—we have 5560 kilometres of Coastline—is not in the north-south corridor at all. If this situation had been there and if it (traffic) terminates at the coast; its (conclusion) is perfectly correct and it is an ideal situation. The railways move close to 50 per cent of the coal as their share. Coal originates at certain geographically fixed areas. The next is carrying iron to the steel plant. The iron ore moves to the steel plant and ports and so on and so forth. So, it is really that competing part between shipping and railway that is not common.

Let us assume that the traffic is going on the south-western coast of India. In a situation where the coastal shipping is not there, perhaps we move across the country on corridors of rail which are already congested; and it is very expensive. If in the future the industrial development does take place in a manner as to take advantage of the railway transport, then...”

2.10 When commented by the Committee that principally the Planning Commission agreed about it, the Adviser (Tpt.), Planning Commission stated:

“Logically it is there. There is only one caution. It is ultimately the consumer that counts. If the inventory costs of the user is the important factor, the total transit time by rail is the multiple of the total time by road, the balance of advantage may not be attractive to rail.”

Commenting upon the importance of ‘Alternative options’ the witness said:

“That is the strategic option. That strategic option is always available, which is being kept in mind.”

2.11 In response to a query, the representative of the Planning Commission stated:

“The consumer field has to be cheaper and the inventory cost must go down. For instance, in the railways, a certain type of traffic has been moving away to road. For the last 30 to 40 years close to 98 per cent of our coal and iron ore continued to move on rails. The

consumer articles have moved away to the roads. The only reason is that the inventory costs are very high when they are moved by rail. If the industrialist has to reach his consumer goods by rail, it takes a month. So, the infrastructure is there, but because of the inherent features, it is not in favour of the rail."

C. Diversion of Traffic from Railway to Coastal Shipping

2.12 To a question whether Government is taking any decision for diversion of certain percentages of different cargo such as coal, salt etc. from the railways system to the coastal shipping, the Ministry of Surface Transport in their replies stated:

"Government have no control over the choice of a particular mode by the shippers. Preference for a particular mode is determined by the market forces."

Further to study the potential for such diversion at economic levels, the Ministry stated:

"However, a study on the potential for diverting certain percentage of commodity cargoes from the railway system to the coastal shipping can be conducted under the auspices of Planning Commission."

2.13 The Committee pointed out that considering the alarming rate of depletion of oil reserves, a national policy to promote coastal and inland water transport was the need of the day. With the proper policy decisions in this direction, spectacular results in the reduction of fuel consumption can be achieved. This has the added advantage of reducing the traffic congestion on the national highways and reducing the ever growing accident rates in the road traffic.

To this, the Secretary, Ministry of Surface Transport expressing his view stated:

"We fully agree with the statement which you have made with the alarming situation of our hydrocarbon reserves, we should reduce consumption because more than 80 per cent of diesel is consumed by transport. The Committee in 1980 considered this matter and decided that there will be diversion of traffic from road to railways as railways are better. It did assign a certain role for coastal development also. But now, it is the reverse. It has now moved from railways to road. It is not only so with the goods traffic but the passenger traffic has also moved from railways to road. It is more convenient to deal with roads than by railways. In this situation, you have rightly pointed out your view. Various measures are being adopted to conserve fuel which require a certain check on the growth of road transport. But that would be possible only when consumers develop confidence in the railways and the railways themselves show interest in taking up the traffic. If some restrictions are placed on passenger car traffic atleast in the metropolitan cities, it will go a long way in conservation

of fuel consumption and also control pollution. Mere encouragement of coastal traffic, I am afraid, will not be a very significant step to conserve fuel resources unless we check the growth of road transport in a meaningful manner.”

2.14 Whether National Transport Policy Committee took into account all these aspects at the time of its formulation, the Secretary, Ministry of Surface Transport stated:

“National Transport Policy Committee formulated its programme by having an interaction with various interests both who used and operated on road. It also took into account the road system of the country which is totally overstrained and where maintenance has become difficult. But it is a body of recommendatory nature. One of the recommendations was if the destination is more than three hundred kilometres, then they should not travel by road and if it is within three hundred kilometres, then it is fine by road. Otherwise, it should move by railways. Taking into all relevant factors, implementation of its recommendations could not succeed because in a democratic system of Government, regulatory measures are not powerful as to check that particular mode of transport unless drastic steps are taken.”

2.15 While commenting on the views that any policy formulated would not be accepted or adopted by the consumers if it is not convenient to them, the Secretary, Ministry of Surface Transport replied:

“Convenience, safety and confidence are the three basic factors in the minds of consumers. The remedy is not to discard the rail system. The system has to grow and become more efficient. Certain amount of pilferage exists in both the modes of transport. You are right in saying that its impact is much more in the railways than in the roadways.”

2.16 Asked whether any comparative study about the freight between railway and coastal shipping has been made, the Secretary, Ministry of Surface Transport replied:

“A comparative study of the coastal freight rate in respect of various commodities has not been done. After receipt of your questionnaire, I did discuss. We are of the view that this will be a useful study.”

On the suggestion of the Committee that some other organisation can take up this study, the Secretary, Ministry of Surface Transport replied in affirmative and added:

“The Planning Commission would be the best agency because they are most objective about various kinds of transport. I requested Adviser (Transport) and he has agreed that such a study should be made.”

Regarding Railways, the Secretary, Ministry of Surface Transport stated during evidence:

“The railways being a very large organisation, in their macro-freight analysis, they are capable or they have the cushion.”

On being pointed out by the Committee that the railways have certain subsidy element. To this, the Secretary further stated:

“For example, salt. They can charge higher rate of freight on a certain cargo, and with the surplus emerging from that, they can subsidise. So, they can subsidise some such items, like salt, which are of mass consumption. And they are doing it.”

2.17 On the efforts made by the Government to make coastal freight rates competitive with Railways freight the Ministry of Surface Transport stated:

“Costal freight rates charged by the railways are different for different types of commodities and there is an inbuilt cross-subsidy element.”

In regard to dovetailing coastal traffic with goods traffic by Railways by having composite tariff, the Ministry have stated:

“The Ministry have time and again taken up the matter with the railways to enter into a package deal for charging of rates so that cargo movement is encouraged.”

Conclusions and Recommendations

2.18 The Committee note that coastal shipping is an efficient mode of transport. The National Transport Policy Committee in 1980 estimated that there would be diversion of traffic from road to railways as the latter are better. However the actual trend is just the opposite in both the goods movement as well as passenger traffic.

2.19 The National Transport Policy Committee, while taking into account the road system of the country, recommended that destinations above 300 kms. should not be travelled by road. They should rather be undertaken by railways. But the Committee are apprised that implementation of these recommendations could not succeed as in a democracy, regulatory measures are not powerful enough to check a particular mode of transport unless the steps taken are drastic.

2.20 In terms of resource/economic cost, the Committee observe from various studies made that Coastal Shipping is energy efficient and comparatively a cheaper mode of transport if the commodity involved is bulk and distance involved is long and also when the origin and destination of its traffic stream are located along the coast.

2.21 Comparative statistics in respect of freights of Railways vis-a-vis Coastal Shipping are not readily available with the Ministry of Surface

Transport. The Committee are however, informed that the Railways, being the carrier of a large number of commodities in huge volumes have the flexibility of cross subsidising the commodities with a view to maximising their revenue where as it is not possible for coastal shipping to do so.

2.22 The Committee are also apprised that for the last 30 to 40 years while close to 98% of coal and iron ore have continued to move on rails, consumer articles have moved away to roads, the reason being the high inventory costs, an important factor to a user, when things are moved by rail.

2.23 The Committee are informed that a study on the scope of diverting certain percentage of commodity cargo from the railways system to the coastal shipping can be conducted under the auspices of Planning Commission. The Committee however are informed that the Government have no control over the choice of a particular mode and the preference for using a particular mode of transport is determined by market forces.

Recommendation

2.24 *The Committee therefore recommend that a study may be conducted to assess the scope of diverting certain percentage of commodity cargo from the roads/railways to coastal shipping. The study should also suggest measures which can be introduced to make coastal shipping more appealing to the users.*

2.25 The Committee are informed that there is need for a specific intermodal cost study going into the aspects of specific advantages existing with the coastal shipping, roads and railways. This would enable economical movement of goods in the domestic trade with minimum resource cost which will be in the overall interest of the nation. The study would enable proper coordination of movement between various modes so that they do not compete with each other, but complement each other and the costs ultimately work out to the best advantage of the user and also help in conservation of fuel resources.

Recommendation

2.26 *The Committee recommend that such a study may be undertaken and the results thereof be incorporated in the transportation system.*

2.27 The Committee note that no comparative study of coastal freight rates vis-a-vis Railway in respect of various commodities has so far been done. Since such a study will be useful as also admitted by the Secretary, Surface Transport during the course of evidence, Planning Commission should conduct such a study at the earliest.

Recommendation

2.28 *The Committee also desire that the Ministry of Railways (Railway Board) should give urgent consideration to the proposals made by the Ministry of Surface Transport (i) to prepare an integrated plan of coastal-*

cum-railway traffic in respect of those commodities where two modes of transport are required and (ii) for a package deal for charging of rates for giving encouragement to cargo movement through coastal shipping.

CHAPTER III
COASTAL FLEET

3.1 The Coastal Fleet at the end of Sixth Five Year Plan comprised 99 ships aggregating 3.42 lakh GRT (7.20 Lakh DWT). The coastal fleet increased during the Seventh Five Year Plan period and as on 30th November, 1991, the coastal fleet comprised 169 ships aggregating 5.61 lakhs GRT (*i.e.* an increase of about 70% in terms of number of ships and 64% in terms of GRT).

The outline of the coastal fleet as on 30th November, 1991 was as follows:—

Type of Ships	No. of Ships	DWT(Lakh)
Dry Cargo	43	2.43
Passenger-cum-Cargo	13	.23
Tankers	17	2.99
Offshore Vessels	94	1.47
Others	2	.08
Total	169	7.20

3.2 The age-wise distribution of coastal fleet as on 30 June, 1993 was as follows:

Coastal	No. of Ships	Coastal Trade	
		GRT	DWT
Upto 5 years	22	105175	240413
6 to 10 years	13	125601	663771
11 to 15 years	8	43994	69427
16 to 20 years	23	158523	255110
Above 20 years	24	51801	78902
	90	485094	707623

Offshore Supply Vessels	No. of Ships	Coastal Trade	
		GRT	DWT
Upto 5 years	2	2646	2900
6 to 10 years	60	68185	78100
11 to 15 years	2	1300	1986
16 to 20 years	2	1342	1860
Above 20 years	2	1116	1496
	68	79589	86342

Specialised Vessels for Offshore S.V.	No. of Ships	Coastal Trade	
		GRT	DWT
Upto 5 years	—	—	—
6 to 10 years	18	63352	41380
11 to 15 years	4	12721	9470
16 to 20 years	5	5859	9006
Above 20 years	6	3184	2044
	33	85116	61900

3.3 The number of ships and tonnage operating in the coastal traffic from 1975 to December, 1992 is given below:

As on	No. of ships	G.R.T. (in lakhs)
1.4.1975	70	3.70
1.4.1980	56	2.49
1.4.1981	59	2.50
1.4.1982	64	2.87
1.4.1983	69	3.41
1.4.1984	72	2.37
1.4.1985	99	3.12
1.4.1986	100	3.02
1.4.1987	120	4.14
1.4.1988	129	4.14
1.4.1989	148	4.55
1.4.1990	152	5.12
1.4.1991	163	5.23
30.11.1991	169	5.61
30.12.1992	187	6.40

3.4 Coastal ships are owned by 41 Companies/Government Organisations including Public Sector companies, viz, SCI, POOMPUHAR, Shipping Corporation, ONGC, A & N Administration, Lakshadweep Administration and Union of India.

3.5 As regards the number of vessels added/deleted during the last 15 years, the Committee were informed of details of addition and deletion of number of ships along with their GRT and DWT made during the Fifth, Sixth and Seventh Five Year Plans. These figures included overseas and coastal shipping. No separate figures are maintained for coastal shipping.

3.6 Asked whether there is any thought given to upgrade the fleet, the Secretary, Ministry of Surface Transport stated:—

“We have mentioned a number of constraints. If those constraints are removed, the tonnage might increase.”

3.7 In a post-evidenc note, the Ministry has informed as follows:

“The total cargo carrying capacity of the coastal fleet as on 31st December, 1991 was about 7.2 lakhs tonnes. However, the total capacity to enable total traffic during the years would depend on the number of voyages performed, voyage time, port turn around time etc. It may also be mentioned that some ships may be deployed for coastal traffic or for overseas traffic at different times, depending upon the relevent economics of operation to the owners.”

3.8 On being asked during evidence about the economic tonnage of a ship, the CMD, SCI stated:—

“We have certain lopsided laws which affect the operation of big ships on the coastal trade. For example, there is the Merchant Shipping Act. We have to take into consideration the nature of our sea. Our sea is not a closed sea; it is an open sea. Therefore, any ship of more than 3500 GRT should be registered as a foreign-going vessel. That is why, you will find that less number of our ships engage in the coastal trade. Then, we have the small coasters. If you have a ship of 350 tonnes or less, then the Dock Labour Board do not come into play. The per-tonne cost will be around Rs. 70 using the private labour as against Rs. 350/- while using the Doc Labour employees. What you have in mind is why did we buy a 5000 tonner. If we want to travel long distance, then we have to have the big ships. These are the considerations. If you want the coastal trade to increase, then ships of small size have to be made; smaller distances have to be travelled.”

DG shipping also placed his views in this regard:

“As mentioned, any ship which is having a capacity of more than 3500 tonnes has got to be registered. There are the different international laws which apply here.”

3.9 Explaining the background of registration, the DG Shipping stated as follows:

“But the system of registration is not in relation to the nature of voyage. It is in relation to tonnage because then it leaves the flexibility that if it wants to go in the ocean or in the deep sea, it is entitled to. Therefore, restricting it to voyage for registration may perhaps not be liked even by the ship owners. And, therefore, the criteria for registration is tonnage and the tonnage is giving classification in the voyage.”

A. Tonnage Target

3.10 The Committee wanted to know the total target for the Seventh Five Year Plan. the DG Shipping in his reply stated as under:

“It was 7.5 million GRT and there was a shortfall of one milion GRT in achieving the target. There is no managerial deficiency. There are all talks of financial crunch. Sometimes rupee resource is not there, sometimes foreign exhchange is not there.”

The Eighth Five Year Plan envisages achievement of a total tonnage of 7.0 million GRT at the end of Plan period.

3.11 The Committee pointed out that in the past there was a big recession in the shipping industry all over the world and at that time if India could buy some of the second hand vessels at cheaper than market price so as to have a major gain when shipping boosts up and enquired whether the Government did any thing in this regard or they missed the opportunity. The Chairman-cum-Managing Director, SCI replied as under:

“Because of resource crunch, we could not buy during the Seventh Plan. In the Eighth Plan, the Shipping Corporation of India has a plan to buy 79 ships, out of which some will be second-hand vessels. We thought we would take advantage of the falling market but again there is a problem of resource crunch. So, one of the things that our Ministry is doing is to make amendment to the law regarding mortgage of ships. Once that comes through, we may be able to borrow some money. At the moment, international bankers are not willing to give money to India as such.”

In this context, the Secretary, Ministry of Surface Transport further added:

“In raising the resources from abroad, one thing which is coming in the way is the law regarding the mortgaging of ships. Under the present laws, one cannot sell mortgaged ships without reference to a High Court in India. The international bankers and those who finance say no. They want these mortgage laws to be changed so that reference to a High Court is avoided. It is with this end in view that we have approached the Law Ministry to amend the Merchant Shipping Act. It has been there for the last six months. Once it is amended, we do hope to get substantial financial assistance in foreign exchange.”

3.12 Asked whether NRIs are not interested in private Shipping, the Secretatry, Ministry of Surface Transport replied.

“It is too risky for them unless these mortgage laws are changed.”

3.13 Later while furnishing a note on the latest position regarding amendment proposed to Section 51 of the Merchant Shipping Act with a view to improving the availability of foreign finance for ship acquisition, the Ministry of Surface Transport stated:

“Section 51 has since been amended by a Bill passed by Parliament. Latest version is as under:—

51. (1) Where there is only one registered mortgage of a ship or share, he shall be entitled to recover the amount due under the mortgage by selling the mortgaged ship or share without approaching the High Court.

4 Provided that nothing contained in this sub-section shall prevent the mortgagee from recovering the amount so due in the High Court as provided in sub-section(2).

(2) Where there are two or more registered mortgagees of a ship or share they shall be entitled to recover the amount due under the mortgage in the High Court, and when passing a decree or thereafter the High Court may direct that the mortgaged ship or share be sold in execution of the decree.

(3) Every registered mortgagee of a ship or share who intends to recover the amount due under the mortgage by selling the mortgaged ship or share under sub-section (1) shall give an advance notice of fifteen days relating to such sale to the registrar of the ship's port of registry.

(4) The notice under sub-section(3) shall be accompanied with the proof of payment of the wages and other amounts under clause(a) of sub-section (2A) of Section 42.”

3.14 About the arrangements made by the Government for extending financial assistance to coastal shipowners for purchase of new vessels, the Ministry stated:

“The Government does not provide any special financial assistance to the coastal shipping except reimbursement of losses incurred by the Shipping Corporation of India on their Shipping Services to A&N Island and Lakshadweep Island.

The Shipping Credit and Investment Company of India Ltd. was earlier giving concessional finance for acquiring ships for coastal trade. No such assistance is being provided by them now.”

3.15 Explaining the reasons for stopping the concessional financing for acquiring ships for coastal trade by the Shipping Credit and Investment Corporation of India (SCICI), the Secretary, Ministry of Surface Transport replied during evidence:

“We are equally concerned about it and in fact, our Ministry has a different view on this point and the Finance Ministry’s view is different. We believe that the shipping industry does need concessional financing. In the name of liberalisation, the Ministry of Finance is withdrawing all the concessions one by one to all the sectors of the economy. It is in consonance with that policy that the Shipping Credit and Investment Corporation which is meant for shipping development in the country, is diversifying in other areas. We are totally unhappy about the withdrawal of concessional financing and we are making our protests to the Ministry of Finance in this regard.”

3.16 When asked to give views of the Ministry as to how the withdrawal of concessional financing for acquiring ships by the Shipping Credit and Investment Corporation of India has affected coastal trade, the Ministry in their written replies stated as under:

“The provision of concessional finance in respect of loan availed for acquiring coastal ships has a role, though small, to play in the development of Coastal trade. As per SCICI’s view, withdrawal of concessional finance has not materially affected the development of coastal trade at all. The additionality to the interest burden on account of withdrawal of concessional finance is about 12.5 percent (i.e. 20 per cent—7.5 percent) which translates to an average of about 4.5 percent P.A. of of the cost of the ship during the duration of the loan, assuming a loan period of 8 years, viewed against the commercial advantage of coastal shipping over land savings alone. This additional interest could easily be absorbed provided the other impediments to coastal shipping are removed.”

3.17 On the efforts made so far for revival of concessional financing for coastal shipping by the Shipping Credit and investment Corporation of India Ltd., the Ministry stated:

“This Ministry is of the view that concessional finance for Shipping Industry including Coastal Shipping should continue as generally is the practice all over the world and has made a strong plea to this effect to the Department of Banking.”

3.18 Giving response of the Banking Division to their plea, the Ministry further stated in their note dated 15th April, 1994, as under:—

“Ministry of Finance(DEA) Banking Division have proposed a draft Cabinet Note proposing abolition of interest differential subsidy on loans provided to ships and Deep Sea Fishing Industries. A copy of

Cabinet Note was also received by this Ministry for comments. This Ministry has not favoured the abolition of interest differential subsidy till a decision is taken on the following two fiscal concessions which are agreed to by Ministry of Finance in 1992;

- (i) Exemption from withholding tax on lease rentals;
- (ii) Revision in the depreciation rate applicable to ship from 20% to at least 25%.

Ministry of Finance have yet not taken a decision on the above issue."

Conclusions and Recommendations

3.19 The Committee note that on 01.04.1975, 70 ships were engaged in Coastal Shipping. Their number rose to 187 to on 31.12.1992. The Committee are informed that coastal fleet can be upgraded and tonnage can increase if the constraints coming in its way are removed.

Recommendation

3.20 The Committee, therefore, recommend that appropriate steps should be taken to increase the tonnage of coastal shipping as also to deploy suitable types of vessels. In this respect, the Government may initiate a proper study so that investment decisions are taken and requisite capacity created for adequate coastal shipping.

3.21 The Committee are apprised that 24 ships out of 90 in the coastal trade are more than 20 years old whereas 23 ships are 16 to 20 years old. The Committee are further apprised that to increase the coastal trade small-sized ships have to be made and distances travelled have to be smaller. The Committee feel that there is an urgent need to introduce new ships in the coastal fleet for development of coastal trade.

Recommendation

3.22 In order to improve the situation, the Committee recommend that the existing old/overaged vessels involving high maintenance and operating costs should be replaced with new vessels which should be modern, fuel efficient, small and suitable to meet the requirements of Indian ports and development of coastal trade.

3.23 During the Seventh Five Year Plan there was a shortfall of 1 million GRT in achieving the 7.5 million GRT target due to resource crunch. The Committee also note with concern that due to resource crunch, no ship could be bought during the Seventh Five Year Plan. The Committee are further informed that the target for the Eighth Five Year Plan has been set forth at 7.0 million GRT which is lower than the Seventh Five Year Plan. During the Eighth Five Year Plan SCI plans to buy 79 ships including second-hand ones.

Recommendation

3.24 (a) *The Committee, therefore, expect that efforts would be made to achieve the targets set forth in the Eighth Five Year Plan. The Committee also desire the Ministry to take such urgent steps as are considered necessary and feasible for removal of constraints coming in the way of increase in tonnage.*

(b) *The Ministry of Surface Transport should also maintain separately data of vessels added/scrapped for coastal shipping.*

3.25 The Committee note that the mortgage clause of the Merchant Shipping Act, in which reference to a High Court was essential while selling mortgaged ships, was coming in the way of raising financial assistance for ship acquisition from International Bankers and Financiers. These mortgage laws were considered desirable to be changed so that reference to a High Court was avoided because financial institutions, Indian or foreign, which lend money did not feel secure about this provision as it takes unduly long time to dispose off the ship through court procedures and due to this foreign financial institutions were hesitant to lend money to Indian Companies or shipowners.

3.26 The Committee are apprised that keeping in view the above-mentioned problems Section 51 of the Merchant Shipping Act, 1958 has been amended accordingly with a view to improving the availability of foreign finance for ship acquisition by enabling the sole registered mortgage of a ship or share to recover the amount due under mortgage by selling the mortgaged ship or share without the intervention of the High Court.

3.27 The Committee expect that with the above-mentioned provision in the Merchant Shipping (Amendment) Act, 1993 credit loans for procurement of ships etc. will flow in to meet the requirements of the Shipping Industry.

3.28 The Committee are informed that the Government does not provide any special financial assistance to coastal shipping except reimbursement of losses incurred by SCI on their services to A&N Islands and Lakshadweep Islands. Even Shipping Credit and Investment Corporation of India which earlier used to give concessional financing for acquiring ships has stopped doing so in consonance with the new economic policy of the Government which aims at removing/reducing subsidies in all the segments of the economy.

3.29 The Committee are apprised that a strong plea however has been made to the Ministry of Finance for concessional finance for Shipping Industry including coastal shipping in tune with practice all over the world. In response to their plea, the Ministry of Finance have sought comments of the Ministry of Surface Transport on their proposal for abolition of interest differential subsidy on loans provided to ships and Deep Sea Fishing Industries. But the Ministry of Surface Transport have not favoured this

proposal until the Ministry of Finance take a decision on the following two fiscal concessions agreed to in 1992 viz. (i) exemption from withholding tax on lease rentals and (ii) revision in the depreciation rate applicable to ship from 20% to at least 25%.

Recommendations

3.30 The Committee desire that the Ministry of Finance should expedite decisions on aforesaid two fiscal concessions agreed to by them.

3.31 The Committee, however, feel that in order to give impetus to development of coastal shipping availability of concessional finance for acquisition of ships either by the Ministry of Finance or by the Shipping Credit and Investment Corporation of India should be reconsidered favourably.

CHAPTER IV

PORTS

4.1 India has a long coast line of about 5560 kms. dotted with a number of Major and Minor ports. There are 11 Major ports and 139 functioning Intermediate/Minor ports (*viz* 22 Intermediate and 117 Minor Ports) out of about 226 Minor and Intermediate ports in India. In so far as Major ports are concerned, vessels of any size can be handled when adequate draft availability exists. So far as Minor ports are concerned, the size of vessels handled depends upon the availability of draft. However, the average GRT of the vessels which were called at Minor/Intermediate ports during 1990-91 was 7,000 GRT.

4.2 Defining Major, Intermediate and Minor Ports, the Ministry have stated as under:

“Major Port has been defined in Indian Ports Act, 1908. As per provision of Sec. 3, Sub Section (8), “Major Ports” means any port which the Central Govt. may by notification in the official gazette declare, or may under law for the time being enforce have declared, to be a Major Port.

Intermediate and Minor Ports have not been defined in the Indian Ports Act, 1908. These are under the jurisdiction of the respective Maritime States.”

4.3 The name and location of major Ports are as follows:

Name of the Port	Name of the State in which the Port is situated
Kandla	Gujarat
Bombay, JNPT	Maharashtra
Murmogao	Goa
Cochin	Kerala
New Mangalore	Karnataka
Calcutta and Haldia	West Bengal
Paradip	Orissa
Visakhapatnam	Andhra Pradesh
Madras and Tuticorin	Tamil Nadu

4.4 Further during evidence the Secretary, Ministry of Surface Transport informed:

“The Major ports are within the jurisdiction of Central Government. About the Minor ports, Central Government has no direct informa-

tion or connection. Funds for the development are allocated in the State Plans in consultation with the Planning Commission. The Ministry of Surface Transport is in no way concerned either with the administration or expansion of ports. There is no unified agency as such."

4.5 In response to a query, the representative informed that they were not allocating funds for development of Minor ports. They are part of State Plans and State Governments discuss with the Planning Commission.

4.6 The Ministry of Surface Transport in a reply stated as under:

"Minor and Intermediate ports are in the Concurrent List in the Constitution of India. The State Governments are responsible for the development and management of these ports in their respective States. Accordingly, funds for the development of these ports are now being provided in the Plan Schemes of respective States by the Planning Commission."

4.7 To a question as to whether it is not essential to have a liaison between the State and the Central Government in respect of cargoes handled at Minor ports, the Secretary of the Ministry replied:

"By and large the point which you have raised is quite valid. And there should be some agency which is in touch with the Minor ports in respect of cargoes which are imported. We will certainly look into it and whether it is for the Commerce Ministry or the Ministry of Surface Transport, that will have to be decided."

4.8 To the Committee's observation that unless the Minor ports are developed the small distances will be useless, the DG Shipping said: "we accept it".

In this connection Adviser (Tpt) Planning Commission pointed out:

"Let me tell you that as a concept it is fine. But let us bear in mind one fundamental fact, that is, when you talk in terms of tonnage, say for instance, 3,000 tonnes, in today's terms it is equal to two train loads. Each train hardly carries 1500 tonnes. Obviously the ship will not move with less than three thousand tonnes. So, we have to generate it between two small ports. Unless one develops that kind of an inventory between the two ports, it will not go. So, as a concept it is fine."

He further added:

"I happened to be working in Southern Railway for about 15 years ago. In the New Mangalore Port, the rate of discharge was identical. At Bunder, the ship was waiting, out at sea FCI cargo and the cargo had to be carried by barges upto the Bunder Railway Goods station. We used to load same quantity at New Mangalore. So, even for 500 tonnes, for carrying it from a point 'a' to a point 'b', it should work.

Today, 140 Minor ports do not have sufficient cargo for the reason that the users find the shipping service inadequate. They are again predominantly in the private sector. The SCI and the coal carrying ships of the Tamilnadu Electricity Board take the bulk of the traffic and are in the public sector. It will not even take Rs. 70 per tonne for handling at small ports; but it is not attractive for the customers.

The Gujarat ports are some of the best Minor ports; they are vibrant ones. We had a dialogue with them the other day in the Planning Commission; the idea is to develop the Minor ports.

Moving the cargo by road or by rail takes a lot of transit time and the consumer suffers."

Turn round time of ships

4.9 The Ministry of Surface Transport has informed that:

"As per the information received from the Major Port Trusts, the turn-round-time of cargo ships (including coastal ships) during 1990-91, which differs from port to port, ranged between 4 to 11.9 days. Moreover, such turn-round-time depends on a number of factors including the type and extent of cargo handling equipments available, labour productivity, berthing delays etc."

4.10 During evidence on being asked by the Committee that if turn-round time of coastal ships in other countries were not available them what was the other criterion for judging the efficiency of coastal ships *vis-a-vis* those operating in the international waters, the Secretary, Ministry of Surface Transport stated:

"95 per cent of the coastal cargo consists of petroleum and coal. These are transported on most modern fleet. The tankers are stipulated by international standards by which the homogenous cargo of crude oil has to be discharged. Then, some shore restrictions are there. Sometimes for want of haulage, discharge may be slowed down. But this is a deliberate action. We have shore receiving facilities. Ports keep on increasing the facilities wherever required.

As far as coal cargo is concerned, 10,000 tonnes of coal is being discharged per day. In fact, wherever there is a difficulty, we get telex either from the State Electricity Board or whosoever is the receiving agency.

As far as general cargo is concerned, that may be slowed down. It is because of the cargo mix."

4.11 On the question as to whether it was possible to reduce the turn-round time of coastal ships and the steps proposed to be taken in this regard, the Secretary replied:

"Government is engaging private parties to run the facilities so that turn-round time could be decreased".

Port Dues

4.12 According to the Ministry of Surface Transport the port dues and other charges are fixed keeping in view the kind of facilities that are available, the size of investment made and the type of services rendered, which differ from port to port. As such, the port dues and other charges at various ports are not comparable.

A. Containerisation

4.13 The Ministry of Surface Transport commenting on containerisation stated that containerisation has brought about revolutionary changes in the concept of general cargo handling by the higher degree of unitisation and inter-modal flexibility associated with the containers. This has resulted in economy in the cost of cargo handling as well as time required for loading/unloading of break bulk cargo.

4.14 Reflecting on its advantages, the Ministry of Surface Transport further stated as under:

- (i) The risk of damage to cargo moving in containers is very minimal if not totally eliminated as multiple handling of cargo is not involved.
- (ii) Risk of contamination of cargoes is eliminated.
- (iii) Facility of door-to-door delivery of cargo.
- (iv) Reduction in handling cost of cargo, thereby offering advantage to shippers/consignees in cost of transportation.

4.15 On being asked during evidence about the present state of containerisation, the Secretary, Ministry of Surface Transport replied: "There is hardly any containerisation of cargo on the coast."

4.16 Explaining the reasons, the Ministry of Surface Transport stated as under:

- (i) "The vessels employed on the coast are small, say upto 3500/4000 DWT, and are of conventional type. These vsls are not equipped to carry containers. The standard size of a container is 20 feet × 8 feet × 8 feet and the small vsls are unable to provide suitable storage space for containers.
- (ii) Only general cargoes are suitable for containerisation and general cargoes normally emanate from intermediate ports. These intermediate ports do not have required facilities to handle containers.
- (iii) The cost of container vessels as compared to conventional vsls is very high. The frt. level offered for coastal cargoes do not justify investment to acquire container vsls for coastal cargoes.

Due to the constraints mentioned above, presently there is no move to acquire container vessels for coastal shipping."

The Ministry of Surface Transport further added that presently there is only one CELLULAR container vsls in the Indian fleet. However, even this single vessel has to be employed away from our coastal trade for various reasons. While container operation for coastal cargoes would have to wait, the other more practicable and cost-effective alternative of introducing what is known as Ro-Ro (Roll on Roll off), which has been universally recognised as highly energy efficient and eco-friendly. By this system trucks (or better still Trailers) are driven on the Vsl at loading port and are driven out at discharging port. By this system, multiple handling of commodities eliminated, input-output time is reduced and it does away with the costly need of cargo gear ashore &/or abroad, and above all it ensures door-to-door movement of cargoes. In view of these benefits, the entrepreneurial efforts currently should be encouraged since this type of road-cum-sea-cum-road transport could revolutionise the entire concept of transportation.

It is also envisaged to provide minimum container handling capability at other ports during the Eighth Plan. Whenever new general cargo berths are planned at these ports, these will be designed to be suitable for handling container traffic."

B. Privatisation

4.17 Asked about the views of the Ministry on privatisation of development of Minor and Intermediate ports/specialised terminals for coastal traffic at Major ports/certain port operations, the Secretary, Ministry of Surface Transport replied:

"We are in agreement. We are nobody to say that we are opposed to that."

4.18 As regards formation of a private company, the Secretary, Ministry of Surface Transport stated as follows:

"We have had a detailed discussion on this. We are making an indepth analysis about it. Some people have offered to take over our container operations.

If a company is formed, we have to study their advantages and disadvantages. Whatever revenue we get out of the profit of that company, that can be earmarked for the development of the port. The profit will depend upon the total volume of traffic.

Today it is decided by taking into account the market conditions but there are other facts which interact. By and large, I would say if there are two ports operating in the same area like Bombay and Nhava Shewa, it would not be easy to compare with a private company."

4.19 In a subsequent note furnished to the Committee, the Ministry of Surface Transport informed that in port sector, the Government has

identified various investment areas with a view to mobilise additional resources and to improve the overall productivity and performance of the port.

On the extent of privatisation of ports/port operations the Ministry of Surface Transport informed that following areas have been identified for private sector participation in the ports/port operation:

- (a) Setting up of Container Terminals.
- (b) Setting up of Warehousing and storage facilities.
- (c) Operation and maintenance of various cargo handling terminals.
- (d) Provision of pilotage and crantage services.
- (e) Dredging.
- (f) Maintenance of various port craft and other equipment.
- (g) Leasing of Equipment.

4.20 The Ministry in principle have decided for seeking private sector participation in almost all the Major Ports and has brought out brochures for giving wide publicity to various proposals pertaining to all the Major Ports and has widely circulated both within the country and abroad. However, till October, 1994, nine proposals have been approved by Ministry of Surface Transport at various ports. Also allotment of land at many of these 11 major ports for facilities to be created by private parties for providing services to the port users such as bulk storage facilities for liquid cargo, warehousing etc. has been approved. Several proposals are still under consideration of the Ministry.

4.21 The ministry of Surface Transport further stated that still after leasing various port facilities, the basic port functions like construction and maintenance of channel, break-water, safety control measures, environmental regulations over-all supervision and coordination will rest with the Government apart from the facilities which are not leased out to private sector.

Conclusions and Recommendations

4.22 The Committee are apprised that there are 11 Major ports and 139 Intermediate/Minor ports (viz. 22 Intermediate and 117 Minor Ports) functioning out of 226 Intermediate/Minor Ports in India. Major Ports are under the jurisdiction of the Central Government whereas Intermediate and Minor ports fall within the purview of the State Governments.

4.23 The Committee are dismayed to note that there is no unified agency between the Central and the State Governments which could liaise cargo handling at Major as well as Intermediate/Minor Ports.

Recommendation

4.24 *The Committee therefore recommend that as recommended elsewhere the Directorate of Coastal Shipping should function as an agency between the Central and the State Governments in order to have proper coordination and liaison between Major and Intermediate/Minor ports. This Directorate of Coastal Shipping should also undertake a study about the scope of improvements in the facilities for cargo handling at the various ports.*

4.25 The Committee also find that due to poor development as also lack of facilities 139 Intermediate/Minor ports do not have sufficient cargo to handle. This in view of the Committee, is gross under-exploitation of these agencies. Efforts should be made to develop transport and communication facilities on some Intermediate and Minor ports identified in consultation with maritime States and Indian Coastal Conference and connect these ports with the hinterlands on priority basis. Once such an inland road and rail network is established and communication links are made functional; these port will also start receiving cargo from interior as they have a cost advantage over the other modes of transport. This will also go a long way in relieving the pressure on an already overburdened road and rail transport system.

4.26 The Committee find that turn round time of cargo ships including coastal differs from port to port from 4 to 11.9 days and there is no criteria for judging the efficiency of cargo ships *vis-a-vis* those of other countries in the face of lack of data in respect thereof. The Committee are further apprised that the Government is engaging private parties to run the facilities so that turn round time is minimised.

4.27 The Committee are also informed that the Government is in agreement to privatise development of ports, specialised terminals and port operations.

The Government has identified various investment areas with a view to mobilising additional resources and to improve the over-all productivity and performance of the Ports. They are also apprised that still after leasing various Port facilities to private parties, certain basic Port functions will rest with the Government apart from the facilities which are not leased out to private sector.

Recommendation

4.28 *The Committee, therefore, recommend that with a view to providing impetus to coastal shipping, the Government should take expeditious measures including private sector participation towards developing the Ports and modernising port facilities/port operations.*

4.29 Containerisation has the advantages of reduced cargo handling and transit time and also provides door to door service. The Committee are informed that the vessels employed on the coast are small and are not

equipped to carry containers. Further, Intermediate ports do not have required facilities to handle containers. The freight level offered for coastal cargo does not justify investment to acquire container vessels for coastal cargo. The Committee also note that due to resource constraints at present, the Government do not plan to acquire container vessels and the single CELLULAR container vessel is also not engaged in coastal trade.

4.30 They are further apprised of cost effective and more practicable alternative to containerisation viz. Ro-Ro (Roll on Roll off) which has the advantage of road-cum-sea-cum-road transport and which can revolutionise the entire concept of transportation.

Recommendation

4.31 The Committee, therefore, recommend that keeping in view its feasibility and economical cost; Ro-Ro Service should be encouraged at some identified ports and adequate facilities for operating such services should be provided at Intermediate/Minor ports. They are of the view that faster development of coastal shipping would require increased pace of containerisation in domestic cargo movement. They, therefore, desire that as already envisaged in the Eighth Five Year Plan, minimum container handling capability at some ports should be provided after having identified these ports in consultation with the maritime States and Indian Coastal Conference. In future, whenever new general cargo berths are planned at these ports, the same should be so designed that they become suitable for handling Ro-Ro container traffic also.

CHAPTER V
COASTAL TRAFFIC

A. Share of Coastal Traffic

5.1 As per the National Transport Policy Committee (1980) Report, the share of coastal traffic in the total inter-regional goods traffic was estimated at 2.9 per cent in originating tonnage and 1.1 per cent in ton-kms for 1978-79.

Subsequently, another study carried out by RITES on behalf of the Planning Commission, indicated that modal share both in terms of originating tonnage and tonne kilometres remains more or less the same. The following Table indicates the coastal shipping traffic (inter-regional):—

Year	Originating Tonnage	Tonne Kilometre
1978-79	1.1%	2.9%
1986-87	1.1%	3.0%

It may, however, be mentioned that these estimates did not take into account the inter-regional flow of goods on which there are no data.

B. Trend in Coastal Traffic

5.2 The trend in coastal cargo traffic from 1975-76 to 1992-93 is given below:—

Year	Million Tonnes
1975-76	4.81
1976-77	4.81
1977-78	5.14
1978-79	5.66
1979-80	5.05
1980-81	5.80
1981-82	8.29
1982-83	14.00
1983-84	16.54
1984-85	17.96
1985-86	16.17

Year	Million Tonnes
1986-87	18.79
1987-88	22.18
1988-89	22.61
1989-90	21.90
1990-91	22.18
1991-92	26.56
1992-93	25.39

5.3 Keeping in view the above statement, the Committee enquired about the factors which have led to growth in cargo traffic as well as lowered tempo of growth during 1980. To this, Joint Secretary (Shipping) of the Ministry of Surface Transport replied:

“Two main cargos moved by coastal shipping viz POL and Coal account for more than 90 per cent of the coastal cargo. The quantity moved depends really on the total capacity of the thermal stations, particularly in Southern India, to generate electricity. It also depends on the refining capacity of crude oil refineries and also the level of consumption of petroleum products. For 1990-91 to 1994-95, the Department of Coal had estimated coastal movement of thermal coal to be of the order of 13.2 million tonnes while the Ministry of Petroleum estimated POL imports at 29.7 million tonnes. The pattern of consumption and the capacity to generate and refine crude determine the potential for movement by coastal shipping vessels.”

5.4 The statement showing actual traffic handled at Minor Ports is given at Appendix-I.

5.5 Asked to furnish reasons for the Gujarat having the largest traffic and Goa hardly 423 Tonnes of traffic, the DG shipping replied:

“We would not know the details but the reasons could be that traffic was not there.”

Further on being asked about the reasons for lagging behind of other States in traffic, the representative added:

“Gujarat Port is maintained better than any other port. That is the reason.”

5.6 Later in a written note to the Committee, the Ministry of Surface Transport stated:

“There has been no specific study or report in this regard comparing one state with regard to coastal traffic viz-a-viz the

other States. However, it can be stated that the reasons for Gujarat being ahead of other States in this respect is due to the large number of Minor ports functioning along the coast, situation of a large number of coastal projects, good communication net work serving the hinterland and a well functioning machinery available to look after the ports management within the state. This can also be attributed to the State Government giving priority to the development of Minor ports within the State."

C. Passenger Traffic

5.7 As regards the share of private/public Sector companies in the movement of passenger traffic, the Ministry of Surface Transport in a reply to the Committee stated:

"The main passenger traffic on the Coast has been in Andaman & Nicobar Sector, Lakshadweep Sector and Bombay-Goa Sectors. Almost all the passenger traffic leaving aside a few has been by the public Sector companies viz. Mogul Lines Ltd. till 1986 and later by SCI. The movement of passengers is as per table below:—

The statement showing the coastal passenger traffic for the last 10 years (from 1982-83 to 1991-92)
No. of passengers carried

Year	Konkan Service	Mainland Andaman	Mainland/Lakshadweep Sect.	Total
1982-83	2,84,000	86,000	25,000	3,95,000
1983-84	2,74,000	77,000	30,000	3,81,000
1984-85	2,75,000	71,000	35,000	3,81,000
1985-86	2,88,000	98,000	39,000	4,25,000
1986-87	2,65,000	1,12,000	40,000	4,17,000
1987-88	2,67,380	1,27,266	46,967	4,41,613
1988-89	24,379	1,11,570	49,975	1,85,924
1989-90	—	93,921	51,066	1,44,987
1990-91	20,752	97,546	54,848	1,73,146
1991-92	—	83,838	63,350	1,47,188"

D. Commodities carried by Coastal Shipping

5.8 The main commodities carried by Coastal Ships to and fro are:—

- (a) POL (Crude and Products)
- (b) Thermal/Industrial Coal

- (c) Cement Clinker
- (d) Iron Ore
- (e) Fertiliser
- (f) Salt
- (g) General Cargo.

While the overall traffic handled by Coastal Shipping has shown appreciable improvement in the last four decades, the main increase has been in the transportation of coal for Power plants in South India and movement of crude oil and Petroleum products. The following table broadly gives the mainland coastal cargo movement over the period 1952 to 1988.

Year	Coal	Salt	Cement Clinker	General Cargo	Total Petroleum '000 Tonnes	Total Products '000 Tonnes	Total '000 Tonnes
1952	936	471	—	1219	2626	NA	2626
1961	1345	423	—	1404	3222	NA	3222
1971	389	454	—	512	1355	2847	4202
1981	1203	88	—	86	1377	3201	4578
88-89	5448	63	Negligible	1072	6583	16032	22615
89-90	6463	83	93	679	7918	13983	21901

5.9 The Ministry has further informed that one of the major commodities moved in Thermal Coal to the order of 7.7 million tons per annum which is totally moved by the Tamil Nadu State Undertaking Poompuhar Shipping Corporation on account of Tamil Nadu Electricity Board involving movement from the ports of Haldia, Paradip and Vizag to Madras and Tuticorin. For this movement the PSC makes use of its ships which are 3 in number in addition to chartering of ships from other Indian Shipping Companies numbering about 9. The Crude Oil and Petroleum Products which are the other major commodities moving on the coast, are coordinated by Oil Coordination Committee which charters tankers from various companies particularly from S.C.I. The movement of Petroleum crude oil moving on the coast are of the order of 4.8 million tons per annum and 11.7 million respectively.

E. Traffic at Minor Ports

5.10 As regards the actual traffic handled at the Minor Ports, the information received from the various State Governments for the years 1988-89, 1989-90 and 1990-91 is given at Appendix I.

5.11 Giving reasons for decline of general cargo and salt, the Ministry of Surface Transport in a written reply stated as under:—

“Over the years, there has been a sharp decline in coastal movement of general cargo and salt. The main reason for the fall

in general cargo traffic is the cumbersome custom procedures and steep rise in cargo handling costs mainly because of increase in labour cost. The shippers also prefer door to door service which has been feasible in the case of road and railway transport. Door to door service of coastal cargo is possible only if such cargo is containerised. An inter-ministerial working group under Director General of Shipping is currently looking into simplification of customs procedures and development of infrastructure in Minor/ Inter-mediate ports, particularly road and rail links and berthing facilities. The decrease in salt traffic has been mainly due to the disappearance of small ships arriving on the west coast with coal from Calcutta. Salt had been the return cargo for small ships carrying coal for railways and industries. With the continued shift to diesel and electric locomotive, the demand for railway coal has declined. With the decline in demand for railway coal and rise in the movement of coal for thermal power stations in southern India, the size of the ships increased to a point where the time needed to load salt, the loading rate of which is slow, made it uneconomic to take such cargo. Moreover, the parcel size is also not large enough. Railway freight rate for salt, on the other hand, is quite low and contains a hidden subsidy which makes movement by rail cheaper."

5.12 The Committee wanted to know the steps taken/proposed to be taken by Government so that Coastal Shipping was not merely restricted to coal movement and services to Andaman/Lakshadweep. DG (Shipping) during evidence stated:—

"It is true that at present the coastal shipping is catering mainly to the coal movement to the thermal power stations in the South and that itself has relieved a considerable pressure on the Railways and on the road transport. The view of the Ministry of Shipping and Transport is that the movement of traffic in respect of Projects along the coast should be by coastal shipping. The Committee of Secretaries also supported this view."

5.13 Asked whether that Government felt that there was an urgent need to improve the Coastal Shipping, the Secretary, Ministry of Surface Transport replied:

"The Government is fully conscious of this and is encouraging coastal shipping."

F. Coastal Shipping as catalyst for Development of Coastal Areas

5.14 To a question as to what extent coastal shipping has catalysed the development of coastal areas through subsidiary activities such as tourism, fisheries, heavy industries requiring bulk transport so far and whether such schemes were under the consideration of the Government, the D.G. Shipping replied during evidence:

“As you know the development process is basically an integrated process. To say that the transport infrastructure is catalytic will be true to a large extent. The Government does take into account this while formulating its plan as to which areas will require greater attention as compared to the other areas for promoting a certain type of activity.”

5.15 Asked whether in the interest of fast movement of goods through coastal shipping, the Government proposed to approach the State Governments for quick development and maintenance of roads linking up the hinterland with various ports and industrial towns in the country, the Secretary, Ministry of Surface Transport stated as under:

“In identifying such strategies which provide support system to international or coastal trade, no State Government has been approached in this regard. Since the State Governments are not being approached, the question of response from them does not arise. But there is a demand and for that demand some studies are being commissioned by various agencies. Those areas which essentially cater to export trade particularly the agro-products, fruits or quick perishable commodities do require a special type of favour to carry the goods from the region to the port. Therefore, these areas need to be upgraded and identification of these areas is being made by APLDA and other agencies. You know that 33,000 kms. net work of the national highways ought to be upgraded itself. We need money for that and the next three Five-Year Plans would not be able to provide that. It will be done by privatisation.”

The Adviser (Tpt) Planning Commission further added:

“We have been asking the State Governments as well as the Central Government for funding of maintenance of roads but it is much below the requirement”.

G. Traffic Projections

5.16 The commodities most likely to dominate coastal trade by the turn of century as per the NTPC report are coal, cement, fertilizers, foodgrains, salt and timber.

During evidence, the Secretary, Ministry of Surface Transport on the projection of volume of traffic stated:

“As regards the projections of the volume of traffic which coastal shipping can carry, not many studies have been made. In 1980 the National Transport Policy Committee headed by Shri B.D. Pande did make some projections and if you see that it will be around 119 million tonnes, as the originating traffic by the turn of the century. The projections made for 1990-95 keeps this at 48.27 million tonnes. By and large, the two items which constitute 48.27 million tonnes, will be POL which is around 20.40 million tonnes,

and coal which is around 13.25 million tonnes. If these two put together, will be 33.65 million tonnes.”

5.17 To a further query as to how far the potential for coastal traffic fixed by National Transport Policy Committee had been achieved, the Secretary stated:

“If we look at those figures, the percentage is very cheerful. NTPC thought of 4.5% for coal. Actually it is 6.46. NTPC estimated this increase. Similarly, for POL, no estimate is made and today the percentage comes to almost 14. This is against a comparative figure of cement, 2.5 to 0.69. This has gone down.”

5.18 The Ministry of Surface Transport informed the Committee that the Working Group of Shipping set up by the Government for the plan period 1990-91 to 1994-95 has projected the coastal traffic for 1990-95 as under:

1. POL:	Million/Tonnes
(i) Crude	20.40
(ii) Crude lightering	1.30
(iii) Products	3.62
(iv) Lightering	4.42
	29.64
2. Iron Ore	3.90
3. Coal	13.25
4. Industrial Coal for Haldia	0.25
5. Cement Jaffrabad to Ratnagiri	0.80
6. Salt	0.40
	48.27

H. Developmental Projects Conducive to Coastal Traffic

5.19 In connection with the developmental projects helping the growth of coastal traffic, the Ministry of Surface Transport stated as under:

“The power generation projects have generated and are expected to generate more coal cargo movement for coastal shipping. The Working Group on Shipping set up for the period 1990-91 to 1994-95 has estimated the power house coal movement by 1994-95 to be 13.42 million tonnes per annum against 6.46 million tonnes moved in 1989-90.

The Cement Projects have certainly helped the sustenance of coastal shipping on the West Coast of India by providing clinker movement. The following statistics of clinker moved during the last 3 years is indicative of the above fact.”

Year	M. Tons
1990	8,10,357
1991	3,58,682
1992	6,67,380”

5.20 When asked to furnish details of developmental projects other than power generation projects which have helped in the growth of coastal traffic, the DG shipping added during evidence:

“There are a number of projects. One is Namuda Cement Project. Another is at Hazira and the third is also at Hezira. All these projects have helped in promoting the coastal shipping.”

5.21 The Ministry of Surface Transport in a subsequent note stated:

“The information regarding projects concerning coastal region is not readily available with this Ministry. However, mention can be made of the sponge iron/pig iron plant at Hazira owned by M/s Essar Shipping, M/s Essar Shipping as per information available, have been planning to move the ore to and from this project by ships of their own.”

I. Studies on Coastal Shipping

5.22 The problems relating to coastal shipping have been examined/ studied by a number of Committees as indicated below:

(i) *National Transport Policy Committee (NTPC)*

The National Transport Policy Committee was appointed by Government to prepare a comprehensive National Transport Policy for the country. It examined the problems of coastal Shipping in a wider perspective and submitted its report to the Government in May, 1980.

The National Transport Policy Committee concluded that the future of coastal shipping mainly lies in catering to project oriented traffic, involving close-circuit, merry-go-round movement, like transport of coal to power plants or clinkers to cement plants. Further, the Committee noted that with an improvement in capacity utilization of vessels, decrease in port stay and removal of various constraints, coastal shipping could move more tonnage. For future growth of coastal shipping the Committee suggested the following measures:—

(i) Coordination of coastal operations; (ii) Modernisation of coastal fleet; (iii) Freedom of operations; (iv) Simplification of customs pro

cedures; (v) Priority berthing for coastal vessels; (vi) Improvement in port facilities; (vii) Simplification and rationalisation of the procedures for revision and fixation of freight rates and improvement in operation of coal dump at Calcutta/Haldia (viii) Subsidy to coastal movement and allotment of assured quantity of traffic to coastal trade on long term basis etc.

(ii) *Pradhan Committee*

An in-depth study of the problems of coastal shipping was also made by the Coastal Shipping Committee headed by Shri R.D. Pradhan, the then Director General of Shipping, this Committee submitted its report to the Government in August, 1981.

The Pradhan Committee took over note of the recommendations of the National Transport Policy Committee and suggested a number of measures so that coastal shipping could play its assigned rôle in the development of trade in the country. The main recommendations of the Pradhan Committee related to diversion of salt traffic between Saureshra region and North East India from Railways to Coastal Shipping development of port facilities at Haldia, Paradip, Tuticorin etc, delegation of powers for fixation of freight rates on coastal cargoes and levying specific surcharges from time to time to compensate the shipowners for increase in fuel prices and trimming charges; freight structure of coal to provide for port delays; continuation of concessional port dues for coastal ships; priority berthing for coastal ships; creation of a separate Directorate of Coastal Shipping to coordinate and organise coastal movement; full utilisation of coastal shipping by various public Sector Undertakings; acquisition of coastal ships and financial arrangements therefor.

(iii) *Asian Development Bank Study*

The Planning Commission had also commissioned a study by the Asian Development Bank with a view to provide an overall view on the port and coastal shipping as well as to identify its goals and potential in the national economy. The A.D.B. study has identified certain activities/projects in regard to coastal shipping viz. legislative changes, strengthening the coastal shipowners' trade association, replacement of small dry cargo ships for mainland-island trades and of passenger/cargo ships, a major programme of acquisition of new bulk carriers for the thermal coal trade over the next ten years and exploration of associated technical possibilities, inauguration of low cost, charter based, trial Ro-Ro-service between Gujarat and Bombay, deepening of some of the present Intermediate/Minor Ports, intermodal comparative cost study for the movement of dry cargo along the coast, etc.

J. Constraints Affecting Coastal Shipping

5.23 The main problems/bottlenecks faced by the Coastal Shipping Industry are as under:

- (i) **The overaged, in-efficient coastal vessels involving high maintenance and operating cost;**

- (ii) Carriage of low rated bulk commodities like coal, cement, salt etc.;
- (iii) Directional imbalance in coastal traffic movement
- (iv) Cumbersome port and customs procedures;
- (v) Low productivity of port and dock labour;
- (vi) Inadequate draft at various ports;
- (vii) Cross-subsidized freight rate charged by Railways for certain commodities;
- (viii) Cost of cargo insurance which inhibits the use of coastal shipping;
- (ix) Heavy investments required for acquisition of new ships;
- (x) Ever increasing operating cost due to factors like rise in bunker costs, maintenance of old vessels increasing stevedoring and trimming charges, escalating wage bills of crew and port and dock labour.

5.24 In a subsequent note the Ministry has stated that the following short-term and long-term measures have been proposed for the growth of coastal traffic:

Short-Term

- (i) Simplification of custom procedures and documentation.
- (ii) Removal of Government control over freight rates.
- (iii) Proper coordination among various agencies dealing with coastal trade.
- (iv) Special financial assistance for acquisition of coastal ships.
- (v) Priority berthing facilities for coastal ships.

Long-Term

- (vi) Development of Minor and Inter-mediate ports by stepping up the outlay in the respective State Plans.
- (vii) Progressive modernisation of coastal fleet with technologically advanced and fuel efficient ships.
- (viii) Increasing containerisation of coastal general cargo.
- (ix) Suitable amendments in merchant Shipping Act so that differential treatment is extended to coastal shipping in matters relating to manning scale, certificate of competency etc.
- (x) Encouragement to Roll-on-Roll off ferry service.

5.25 Asked whether the full economic potential of Coastal Shipping were being utilised at present, the Secretary, Ministry of Surface Transport replied in negative.

Elaborating further, the Secretary, reflecting on its extent, reasons and remedial measures stated:

"The fact is that....the coastal shipping has much more potential than what is being utilised today. But, there are constraints and because of these constraints, the full capacity is not being utilised. There are a number of factors which have caused the set back or rather hindrances in the growth of coastal shipping.

To remove these constraints, the Government is fully aware of taking some decisions..... But as the entire process is time-consuming, particularly when financial structure has to be seen and the subsidies are involved. It appears to me that this decision for coastal traffic will go quite a long way to encourage the growth.”

5.26 Giving details of the decisions which has already been taken by the Government towards full capacity utilisation of Coastal Shipping, the Ministry of Surface Transport, in a subsequent note stated as under:

- (i) **Customs Procedure:** Vide circular No. 450/118/83-C IV dated 8.10.1988 the Ministry of Finance, department of Revenue simplified the customs procedure while allowing port clearance to ships exclusively engaged in coastal trade on simple application. The requirements of filling separate Bills of Entry and Shipping Bills have been relaxed. The Export Manifesto prepared at the loading port is accepted as the Import Manifesto at the Destination Port.
- (ii) **Delegation of powers to fix/revise coastal tariff**
 - (a) Power to fix revise coastal tariff has been delegated to Director General (Shipping) except where subsidy is involved. Where subsidy is involved the power to fix coastal tariff has been delegated to Ministry of Surface Transport in consultation with the Ministry of Finance and approval of IDA (where services to A & N and Lakshadweep islands are involved).
 - (b) The capacity of coal handling plants at Haldia has been augmented. Ports of Vizag and Paradip have been added for linkage for Thermal power station.
- (iii) The age norms for acquisition of 2nd hand ships by Indian shipping companies for coastal operation have been fixed at higher level compared to other categories of ships to encourage acquisition of ships for coastal operation.
- (iv) Concessional rates in port dues and port charges are in vogue for coastal vessels. These vary from 10% to 33%.

The following decisions are under active consideration of the Government :—

- (1) Parity with foreign going ships on Customs Duty on bunkers.
- (2) Total exemption from Customs Duty for import of spares for coastal ships.
- (3) Starting of Ro-Ro service on the West Coast of India.
- (4) Commissioning of inter-model comparative cost studies of movement of fertilisers, cement, foodgrains etc. and passengers traffic.

K. Simplification of Customs procedure

5.27 As regards time taken in clearing the coastal shipping goods by Customs at ports, the Ministry stated :

“No specific detailed study has been conducted to ascertain the time taken for clearing the coastal goods by customs at various ports. However, both the National Transport Policy Committee and Pradhan Committee have observed that the custom procedures are cumbersome and had to be simplified. The Indian National Shipowners Association (I.N.S.A.) has been insisting on green channel treatment and pointed out that the coastal vessels and coastal cargo must be differentiated from overseas vessels/cargoes.

The matter had been taken up with the Deptt. of Revenue, who indicated their inability to accept the proposal that coastal cargo should be given green channel treatment, on the ground that the coastal vessels have ample scope to come into contact with other vessels of international foreign trade. On persistence of Ministry of Surface Transport, subsequently in 1986, the Department of Revenue simplified the procedure for port clearance etc.”

5.28 Giving details, the Ministry later in a note stated as under :—

“With a view to prescribing simplified procedure for port clearance Government had considered the matter and issued requisite orders in 1986. These orders were issued by Department of Revenue. The orders *inter-alia* contained replacement of all documents by only one viz. Export General Manifest. The Department of Revenue ordered that Port clearance including Customs clearance be given on export manifest and the details mentioned therein.”

5.29 On being asked by the Committee the views of the Ministry on carrying cargo manifest by coastal vessels and otherwise exempting the cargo formalities for the export cargo, the Secretary, Ministry of Surface Transport added :—

“In fact, this was agreed to. This had been decided that there will be a single export cargo manifest for the coastal vessels. But this decision of the Revenue Department that they can carry with their freight that single export cargo manifest is not being uniformly implemented. Different ports and different authorities are interpreting it in a different manners.

We are taking it up with the Department of Finance to implement it in the spirit in which it was taken. We entirely agree with you and this Ministry also endorses the view that for coastal shipping, there should be one manifest.”

5.30 It was further informed that :—

“In spite of orders having been issued by the concerned Administrative Department controlling Customs, it is observed that

local custom officers at certain ports are not implementing these orders and still insist on documentation which was in vogue or now in vogue in respect of those ports prior to 1986. Some of these ports are Calcutta, Madras, Visakhapatnam and Port Blair etc.”

5.31 To a question as to whether the coastal shipping should be exempted from the custom formalities, the Secretary, Ministry of Surface Transport replied during evidence :—

“As regards the question which you have raised that it should be totally exempted from the custom procedure, the fear of the custom authority is that once the vessel is on the water, it is difficult to check it that it will not indulge in any transshipment of the cargo to another vessel which may be engaged in the international trade or export trade. They do not favour a total exemption.”

Setting up of Inter-Ministerial Working Group

5.32 The Ministry of Surface Transport further stated that they had taken a note on the potential growth of coastal shipping to the Committee of Secretaries in which the constraints affecting coastal were identified. Certain short-term and long-term measures required to minimise the potential of coastal shipping in the country were proposed. The Committee of Secretaries considered the general approach of the Ministry of Surface Transport including short-term and long-term measures suggested for the development of Coastal Shipping as acceptable. In pursuance of the decision of the Committee of Secretaries, an Inter-Ministerial Working Group was set up in August, 1992 under the Chairmanship of Director General of Shipping to study :

- (i) simplification of Custom Procedure;
- (ii) improvement of Infra-structural facilities including the development of Minor Ports;
- (iii) financial aspects to enable replacement of the ageing coastal fleet, acquisition of modern coastal vessels; and
- (iv) infrastructure development of Minor/Intermediate Ports, particularly road and rail links and also berthing facilities.

The Working Group, which includes representatives of various Maritime States, was expected to submit its report to the Government by 31.12.1992.

5.33 The Working Group had 5 meetings till February, 1993 and finalise the following important recommendations :

- (i) Removal of coastal shipping from the purview of Customs Act, 1982 for the purpose of routine checks.
- (ii) Port Officer of the concerned ports will be the last clearing agency issuing port clearance in respect of customs.

- (iii) Having only one document for clearance of goods through customs viz. "Cargo Manifest".
- (iv) The Port Officer of the concerned port of collect port dues and other dues on behalf of Governmental agencies.
- (v) Bringing into force a single addressee format in respect of various other forms existing for issuance of port clearance.
- (vi) Manning scales be brought down in case of ships engaged in exclusive coastal trade.

The Group is yet to deliberate on the 2nd term of reference concerning financial aspects to enable acquisition/replacement of the coastal fleet.

5.34 The Government had granted two months' extension upto 28.2.1993. The Report however was submitted in 1993 and the follow-up action on the recommendations of the Group was to be taken on receipt of the Report of the Working Group.

5.35 The Ministry of Surface Transport in a subsequent note dated 15th April, 1994 furnished to the Committee stated that the recommendations made by the Working Group for simplification of Customs procedure have been sent to the Ministry of Finance (Department of Revenue) — Central Board of Excise and Customs. The acceptance of these recommendations has not been received as yet.

5.36 Regarding improvement of infrastructural facilities for development of Minor Ports particularly road and rail links and berthing facilities, the Ministry of Surface Transport stated as under:

"The Working Group recommended that the Central Government should provide the fund for development of Minor Ports upto threshold level which can further give impetus to Coastal Shipping. The minimum level of development should include provision of sheds, deepening of berth area and navigational channels by dredging, handling equipment etc. To start with the following Minor Ports could be allotted funds.

- a. Gopalpur Port
- b. Krishnapatnam
- c. Cuddalore
- d. Nagapattinam
- e. Karwar
- f. Old Mangalore
- g. Ratnagiri
- h. Dabhol

The Working Group further recommended that the private entrepreneur/parties should be allowed to participate in development of Minor Ports and invest funds which could be allowed to be recovered appropriate levies in a reasonable way."

5.37 On the recommendations made by the Working Group on other term of reference concerning financial aspects to enable acquisition/replacement of the coastal fleet, the Ministry informed as under:

“The recommendations on the acquisition/replacement of the Coastal fleet are not available in the summary on recommendation made by the Working Group. However, Working Group recommended that the Coastal Shipping should be given following concessing to make them financially viable:

- (a) Increase depreciation rates from present 20% to 33½% under the Income Tax Act.
- (b) Tax holiday for coastal shipping specially the Ro-Ro Vessels as these were highly environmental friendly.
- (c) Exemption from Customs Duty on import of spares for coastal ships.
- (d) Concession in Bunker supply to Coastal Ships/Ro-Ro Vessels.”

Conclusions and Recommendations

5.38 The Committee note that the share of coastal traffic in total inter-regional goods traffic as estimated by NTPC was 2.9% in originating tonnage. The Committee regret to observe that despite advantages offered by Coastal Shipping and pressure on other inland modes of transport, the share of coastal traffic remains meagre.

5.39 The Committee find that the coastal traffic which was 4.81 million tonnes in 1975-76 rose to 22.18 million tonnes in 1987-88. Thereafter the traffic hovered around 22 million tonnes upto 1990-91 when it rose to 25 million tonnes in 1992-93. In this context, the Committee are informed that the main increase has been in the transportation of coal for power plants in South India and movement of Crude Oil and POL. This coastal movement depends respectively on total capacity of thermal stations to generate electricity and pattern of Consumption and Capacity to generate and refine crude. However, there has been a sharp decline in general cargo and salt traffic over the years.

5.40 The main reason for the fall in general cargo traffic is the cumbersome customs procedures and steep rise in cargo handling costs mainly because of increase in labour cost. There is no likelihood of any substantial increase in general cargo traffic in future except in the event of development of coastal container service.

5.41 The decrease in salt traffic has been mainly due to the disappearance form scene of the small ships arriving on the west Coast with coal from Calcutta. Salt had been the return cargo for small ships carrying coal for railways and industries. With the continuous shift to diesel and electric locomotives the demand for railway coal declined. Another factor which led to decline in the salt traffic was the discontinuation of transport subsidy in 1981 which used to be paid to Saurashtra salt. Railway freight rate for salt is quite low and contains a hidden subsidy which makes movement by rail cheaper to the detriment of coastal shipping.

5.42 The Committee are apprised that as per NTPC report of 1980 the originating traffic in the coastal trade would be 119 million tonnes by the turn of the century. The Working Group on Shipping set-up for plan period 1990-91 to 1994-95 has projected coastal traffic at 48.27 million tonnes. POL and Coal would be the two major components of this projection constituting 29.74 million tonnes and 13.25 million tonnes respectively. The Committee note with satisfaction that in the matter of increase in haulage of coal which was estimated by NTPC to be 4.5% the actual achievements have been of the tune of 6.46%. Similarly, haulage of POL is a healthy 14%. However, the figures of haulage of cement have gone down to 0.69% against the projected 2.5%.

5.43 The Committee note that the projections of NTPC done almost a decade and a half ago have not been achieved to the full extent. If the present trends are taken as indicators, this implies that the Government has not devoted sufficient attention towards development of Coastal Shipping.

5.44 Further, the Committee fully endorse the view of the Ministry that the movement of goods traffic in respect of projects along the coast should be through coastal routes. The Committee feel that Coastal Shipping has vast potential which has hitherto remained unexploited and with due improvements can become the bulwark of development process of the coastal areas.

Recommendation

5.45 *The Committee, therefore, recommend that particular attention should also be given to Coastal Shipping while reviewing the National Transport Policy. It should also be ensured while initiating any planning process in the coastal areas that the component of coastal shipping should be an integral part of it.*

5.46 The Committee are apprised that main passenger traffic on the coast is in Andaman & Nicobar, Lakshdweep and Bombay-Goa sectors which is mainly catered to by SCI. However, in totality the number of passengers carried during the last 10 years has declined.

5.47. The Committee feel that to relieve pressure on other modes of transport, coastal shipping is an ideal mode to cater to passenger traffic along the coast line.

Recommendation

5.48 *The Committee, therefore, recommend that efforts should be made to increase the passenger traffic by providing adequate facilities and services. In view of its energy efficient and relatively pollution free qualities, the Committee desire that steps should also be taken so that Coastal Shipping caters to passenger traffic along the coastline thereby relieving pressure on other modes.*

5.49 The Committee find that Gujarat has the largest coastal traffic while Goa has least. The reasons attributed for the traffic at Gujarat are large number of Minor Ports functioning along the coast, situation of a large

number of coastal projects, good communications network serving the hinterland and a well functioning machinery available to look after the ports management within the State. The Ministry also apprised the Committee that the traffic at Goa was scanty because of the lack of traffic. The Committee feel that for raising the coastal traffic it would be necessary to develop and maintain Minor Ports along the coast of the particular State which in turn would require funds.

Recommendation

5.50 The Committee, therefore, recommend that adequate resources should be placed at the disposal of States so that priority can be accorded to the development of Minor Ports in those States.

5.51 The Committee observe that the problems relating to Coastal Shipping are being studied since 1980 by various Committees. The National Transport Policy Committee examined the problems of Coastal Shipping in a wider perspective and suggested various measures for future growth of Coastal Shipping.

5.52 Further, the Pradhan Committee in 1981 while taking note of the recommendations of the National Transport Policy Committee suggested a number of measures so that Coastal Shipping could play its assigned role in the development of trade in the country. One of its main recommendations related to creation of a separate Directorate of Coastal Shipping for coordination and organisation of coastal operations.

5.53 Recently in August, 1992, the Government in pursuance of the decision of the Committee of Secretaries constituted an Inter-Ministerial Working Group under the Chairmanship of Director General of Shipping to study various constraints affecting Coastal Shipping. The Working Group submitted its report in 1993. Follow-up action on the recommendations of the Group was proposed to be taken thereon by the Government.

5.54 The Committee, however, note that the major areas/problems identified by these Committees as well as the Group broadly include:—

- simplification of Customs procedure
- improvement of infrastructural facilities including the development of Minor Ports,
- financial aspects to enable replacement of ageing coastal fleet; acquisition of modern coastal vessels and
- infrastructural development of Minor/Intermediate ports, particularly road and rail links and berthing facilities.

5.55 The Committee find it distressing that despite repeated recommendations regarding short term and long term measures for development of Coastal Shipping made by various Committees, the Government has not so far initiated any action resulting in any tangible improvement in this direction.

Recommendation

5.56 *The Committee, therefore, call upon the Government to urgently take concrete steps to improve the state of Coastal Shipping by removing the constraints identified by various Committees and implementing the recommendations made by them.*

5.57 A factor hampering the growth of Coastal Shipping is the cumbersome customs and documentation procedure at the ports. Successive Committees like National Transport Policy Committee and Pradhan Committee have pointed out towards these aberrations and Government have also acted to bring out an Export General Manifest to simplify the procedure.

5.58 The Committee are, however, concerned to note that despite the changes towards simplification, not much has changed at the ground level. The Department of Revenue issued orders in 1986 replacing all documents by only one viz. Export General Manifest for coastal vessels. It is unfortunate that certain ports are not implementing these orders and still insist on documentation which was in vogue prior to 1986 with the result that the shippers continue to face the same problems even at vital ports like Madras, Visakhapatnam and Calcutta.

5.59 The Committee are informed that recommendations made by the Inter-Ministerial Working Group relating to the simplification of Customs procedure have been sent to the Ministry of Finance (Deptt. of Revenue) —Central Board of Excise and Customs. The acceptance of these recommendations has not been received by the Ministry of Surface Transport so far.

Recommendation

5.60 *The Committee desire that the recommendations of the Inter-Ministerial Working Group relating to the simplification of Customs procedure, being in the interest of Coastal Shipping, should be considered and accepted without any further delay.*

CHAPTER VI

FREIGHT

6.1 Notified freight rates and passenger fares apply only to Mainland A & N and Mainland Lakshadweep traffic. For mainland coastal movement the cargo freight rates are not fixed by the Government except for industrial coal moving from Haldia to Tuticorin whose quantity is very meagre, about 20,000 tonnes per month.

6.2 On being asked as to why similar treatment had not been given in respect of other segments of the coastal traffic the Ministry stated as follows:—

“The Government has so far exercised the power of fixing the freight rates on mainland only for salt and industrial coal. At the time of such fixation these two commodities constituted about 75 to 80% of the dry cargo traffic. The only other commodity which had formed a substantial part earlier was general cargo and its freight rates are determined through direct negotiation between ship-owners and shippers on commercial basis. Government did not consider general cargo for fixation of freight rates as the same was on the decline.

Considering that even coal movement on account of cement industry has become negligible and the salt traffic has virtually stopped, this Ministry has mooted a proposal for de-notification of freight rates in respect of coal and salt also through deletion of section 412 of the Merchant Shipping Act.”

A. Role of Indian Coastal Conference

6.3 The Committee during evidence pointed out that regarding freight rates there is a body called Indian Coastal Conference. When asked to explain the composition of Indian Coastal Conference, the DG Shipping stated:

“Indian Coastal Conference is the general nomenclature. But there are certain groups and particularly who operate from Karachi and Bombay come together and fix the freight rates. So far as freight rates are concerned, we are concerned with the directions of the Ministry. We are concerned only with the freight rates of salt but they have not been revised for the last six to seven years. It is mentioned by the Asian Development Bank that we do not tinker with the freight rates through statutory mechanism to allow the market forces to work. This is the position. DG (Shipping) is fixing the freight rates for the mainland and the island traffic. These

are the three areas where we are fixing the freight rates. Others are fixed by shippers and ship owners and there is no Government representative in that.”

6.4 Later in a written detailed note on the role and recent activities of Indian Coastal Conference, the Ministry of Surface Transport stated:

“The Indian Coastal Conference is a representative body which came into existence on 1.1.1951. The Shipowners operating on the Indian coast covering trades in the West Coast, East Coast and Andaman & Nicobar Islands, deemed it necessary to come under one roof for better and more orderly development of the coastal shipping of India and also for their mutual protection and benefit and to regular tonnage. It may be stated that both the Public Sector Lines viz. Shipping Corporation of India Ltd. and Poompuhar Shipping are active members of the conference. This Conference has been recognised by Government as an accredited representative body of Coastal Shipping Lines.

Members of the Indian Coastal Conference meet at regular intervals to discuss the problems that they face in their day-to-day operations and evolve solutions for such problems for the smooth operation of vessels and orderly carriage of cargoes mainly in the interest of the Indian coastal trade.

The role of the Indian Coastal Conference in regard to revision of freight is to represent before the Government bodies for revision of such freight rates—as are controlled or notified by Government on various sectors of coastal trades. This has become necessary due to escalation in the operation costs due mainly to:—

- (i) increase in bunker prices;
- (ii) increase in floating staff wages;
- (iii) increase in repair/maintenance costs;
- (iv) increase in stevedoring costs;
- (v) increase in port charges;
- (vi) increase in cargo handling time in ports;
- (vii) finally due to paucity of coastal cargoes for return voyages.”

LOSSES INCURRED BY SCI ON A&N AND LAKSHADWEEP SERVICES

6.5 The Ministry of Surface Transport has stated that:

“The fares and freight have been kept low as a policy by the Government for the development of islands. Since the cost of operations has been increasing every year and there has been no commensurate increases in freights since 1985, losses have been mounting year by year. Another major cause for losses has been that infrastructure facilities at the ports initially having been developed very slow, the vessels turn round time had also been

adversely affected. Further, due to inadequate number of passenger and cargo vessels being available, foreign and Indian vessels had to be inchartered to meet the requirements of islands. The foreign inchartered tonnage being rather expensive, this further added to the mounting losses on this sector. SCI were being reimbursed the losses, till 30.6.87, only to the extent of 80%, the balance 20% being borne by SCI. Given below are the figures of losses suffered by SCI in operating shipping services on these sectors for the last ten years (which losses were reimbursed by A&N/U.T.L./MOST):

Year	Sector Mainland loss incurred	Andaman reimbursement	Sector Mainland loss incurred	Lakshadweep reimbursement
82-83	643.19	514.54	308.03	274.68
83-84	898.43	718.65	294.46	263.01
84-85	834.55	682.82	349.94	317.10
85-86	1,133.34	933.97	486.68	444.39
86-87	1,111.18	915.21	477.70	431.79
87-88	1,315.36	1,315.36	517.08	517.08
88-89	1,018.96	1,018.96	593.43	593.43
89-90	1,409.55	1,409.55	793.11	793.11
90-91	2,226.31	2,226.31	1,025.38	1,025.38
91-92	1,988.88	1,988.88	1,066.70	1,066.70
	12,579.75	11,724.25	5,912.51	5,726.67

Till 1986-87, SCI was reimbursed only 80% of the losses incurred on account of owned vessels (losses being reimbursed by MOST). From 1.7.87 onwards, SCI has been reimbursed 100% of the losses incurred on these sectors.

6.6 Further on being asked as to what remedial measures have been taken or are proposed to be taken to minimise these losses in future, the Ministry furnished the following details which are as under:

“SCI, directly as well as through Indian coastal conference has suggested to the Government to increase the fares and freight in order to reduce losses on the mainland/A & N Sector. Further, MOST's recent study of November 1992 has determined the percentage increase in passenger fares and freight rates.”

6.7 Asked whether there was a proposal to increase freight rates in Andaman and Nicobar and Lakshadweep which came up with the IDB for

discussion and PM asked to discuss the same, the Secretary, Ministry of Surface Transport stated:

“The proposal which came to us was in fact postfacto approval of something which had happened already. These are the freight rates which are recommended in 1991 and which came into force. The Standing Committee’s approval was understood by the Andaman Administration as the final approval of the Government and they brought those rates in force. Today, they are operating on those rates. When that question was raised in the meeting of Island Development Authority in which I was present PM mentioned that we may have a discussion with them. We were not aware of this situation that they are already in force. We took the recommendation of the Standing Committee to the IDA for approval. In that meeting it was said that the rates were already in force. Now, the implication is that what is already in force is to be reduced.”

6.8 On being pointed out that freight rates had been increased so much that to take a vehicle or a chassis of truck to Port Blair the freight charges which used to be Rs. 5000 to Rs. 6000 had gone up to Rs. 25,000 or Rs. 30,000, to this Secretary, Ministry of Surface Transport reacted as under:

“The last revision took place in 1978. If you take 1978 as the base, then the percentage of increase is 10 percent.”

6.9 Asked whether these rates revised reflected costs of operating coastal shipping services between the mainland and the Island, the Ministry of Surface Transport stated:

“The decision by the Shipping Rates Advisory Board which studies and recommends to the Government, revision of freight rates between mainland and the islands takes into account the latest available cost of operations, income and allied finance structure of the companies also takes into consideration the maximum freight burden the islanders can bear. The revised freight rates therefore do reflect the latest possible costs of operation between the mainland and the islands.”

6.10 The Committee asked whether inability of the Government in updating freight rates affected the availability of ships for Mainland-Island traffic. To this Ministry of Surface Transport in their written reply stated:

“The Government from time to time does update the freight rates but the same is dependent on such proposals being received from shipping companies. The mainland-Island traffic in particular is totally managed by the respective island administration with the assistance of the SCI in managing/operation the services. The S.C.I. as well as the island administration ships are built to suit the pattern of traffic in these sectors. The vessels are passenger-cum-

cargo type of vessels suitable only for these sectors. Therefore the trade being captive and the owners being the operators the ships are always available.”

Conclusions and Recommendations

6.11 The Committee are informed that the Government notified freight rates and passenger fares apply only to Mainland—A&N and Mainland - Lakshadweep traffic. Cargo freight rates for mainland coastal movement are not fixed by the Government except for salt and industrial coal moving from Haldia to Tuticorin. The reason furnished being that at the time of fixation, these two commodities constituted about 75 to 80% of dry cargo traffic. The freight rates for general cargo are determined through direct negotiations between ship-owners and shippers on commercial basis. The reason Government did not consider general cargo for fixation of freight rates was that it was on the decline.

6.12 The Committee are further apprised that in view of decline and stopping of coal and salt traffic, the Ministry has proposed denotification of freight rates in respect of coal and salt through deletion of Section 412 of the Merchant Shipping Act.

6.13 The Committee agree that the Ministry should not tinker with the freight rates fixed by shippers and shipowners without involving Government representative through statutory mechanism and allow the market forces to work. At the same time, the Committee desire that Government should keep a close watch over the hike in passenger forces and freight rates which may have detrimental effect on the coastal traffic.

6.14 The Committee are apprised that the passenger fares and freight rates of A&N and Lakshadweep Islands have been kept low as a policy for their development. The Committee note that since the cost of operations has been increasing every year without commensurate increases in freights since 1985, losses have been mounting year by year. The Committee further note that till 30.06.87 SCI was getting reimbursed losses upto 80% and rest 20% being borne by it. Since 1.7.87 SCI has been reimbursed 100% of the losses. The Committee are further apprised that freight rates which came into force in 1991 are proposed to be discussed. To reduce the losses on mainland-Island sector the SCI has suggested to Government directly as well as through Indian Coastal Conference to increase the fares and freight.

6.15 The Committee are also apprised that Shipping Rates Advisory Board studies and recommends revision of freight rates between mainland and the Islands after taking into account the latest available cost of operating income and allied finance structure of the companies as also the maximum freight burden the islanders can bear.

Recommendation

6.16 The Committee recommend that the Government should take gradual measures to revise passenger fares and freight rates so as to cover the operating cost of shipping service in mainland-island coastal traffic to minimise the losses.

NEW DELHI;
November 24, 1994

Agrahayana 3, 1916(S)

DR. KRUPASINDHU BHOI,
Chairman,
Estimates Committee.

APPENDIX I

(Vide paras 5.4 and 5.10)

Actual traffic handled at the Minor Ports for the years 1988-89, 1989-90 and 1990-91 is given below:—

		(in tonnes)
1. Government of Gujarat		
1988-89		14,69,000
1989-90		15,96,000
1990-91		23,41,000
2. Andaman & Nicobar Administration		
1988-89		37,525
1989-90		40,776
1990-91		48,711
3. Government of Andhra Pradesh		
1988-89	}	No Coastal traffic.
1989-90		
1990-91		
4. Government of Tamil Nadu		
1988-89	}	Nil information.
1989-90		
1990-91		
5. Government of Maharashtra		
1988-89		2,35,504
1989-90		2,68,212
1990-91		3,29,364
6. Government of Pondicherry		
1988-89	}	Nil information.
1989-90		
1990-91		
7. Government of Orrisa		
1988-89	}	Nil information.
1989-90		
1990-91		
8. Government of Goa		
1988-89		364.29
1989-90		423.34
1990-91		N.A.

APPENDIX - II

Statement of Recommendations and Conclusions

<i>S.No.</i>	<i>Para No.</i>	<i>Recommendation/Conclusion</i>
1	2	3
1	1.8	The Committee are apprised that Section 407 of the Merchant Shipping Act has reserved coastal shipping for national shipping lines. The Committee find that the Government has recently relaxed these conditions for five years in favour of foreign shipping lines enabling them to bring shipment containers direct from their origin to Indian ports and from Indian ports direct to their destination.
2	1.9	The Committee however desire that a constant monitoring of these changes in Cabotage laws is essential so that the facilities afforded to the foreign lines are not at the cost of the indigenous shipping industry. A review of these facilities should accordingly be conducted on completion of two years to find out the benefits accrued to the industry as a whole and the impact of such measures on the indigenous shipping industry.
3	1.10	The Committee are informed that Transport Policy in regard to coastal shipping has been enunciated in the Five Year Plans. The Committee, however, find it surprising that no separate targets have been fixed for coastal shipping in Five Year Plans and the targets set are for shipping sector as a whole. Due to this practice it is very difficult to understand as to what extent investment was made for development of coastal shipping. The Committee feel that there is adequate potential for further growth in the coastal shipping and that separate targets for coastal shipping should be set forth in the Five Year Plan.
4	1.11	The Committee recommend that in future the Government should make specific allocation for development of coastal shipping and achievement of certain targets both physical as well as financial in the planning process as early as possible.

1	2	3
5	2.18	The Committee note that coastal shipping is an efficient mode of transport. The National Transport Policy Committee in 1980 estimated that there would be diversion of traffic from road to railways as the latter are better. However the actual trend is just the opposite in both the goods movement as well as passenger traffic.
6	2.19	The National Transport Policy Committee, while taking into account the road system of the country, recommended that destinations above 300 kms. should not be travelled by road. They should rather be undertaken by railways. But the Committee are apprised that implementation of these recommendations could not succeed as in a democracy, regulatory measures are not powerful enough to check a particular mode of transport unless the steps taken are drastic.
7	2.20	In terms of resource/economic cost, the Committee observe from various studies made that Coastal Shipping is energy efficient and comparatively a cheaper mode of transport if the commodity involved is bulk and distance involved is long and also when the origin and destination of its traffic stream are located along the coast.
8	2.21	Comparative statistics in respect of freights of Railways <i>viz-as-vis</i> Coastal Shipping are not readily available with the Ministry of Surface Transport. The Committee are however, informed that the Railways, being the carrier of a large number of commodities in huge volumes have the flexibility of cross subsidising the commodities with a view to maximising their revenue whereas it is not possible for coastal shipping to do so.
9	2.22	The Committee are also apprised that for the last 30 to 40 years while close to 98% of coal and iron ore have continued to move on rails, consumer articles have moved away to roads, the reason being the high inventory cost, an important factor to a user, when things are moved by rail.
10	2.23	The Committee are informed that a study on the scope of diverting certain percentage of commodity cargo from the railways system to the coastal shipping can be conducted under the auspices of Planning Commission. The Committee however are informed that the Government have no control over the choice of a particular mode and the preference for using a particular mode of transport is determined by market forces.

1	2	3
11	2.24	The Committee therefore recommend that a study may be conducted to assess the scope of diverting certain percentage of commodity cargo from the roads/railways to coastal shipping. The study should also suggest measures which can be introduced to make coastal shipping more appealing to the users.
12	2.25	The Committee are informed that there is need for a specific intermodal cost study going into the aspects of specific advantages existing with the coastal shipping, roads and railways. This would enable economical movement of goods in the domestic trade with minimum resource cost which will be in the overall interest of the nation. The study would enable proper coordination of movement between various modes so that they do not compete with each other, but complement each other and the costs ultimately work out to the best advantage of the user and also help in conservation of fuel resources.
13	2.26	The Committee recommend that such a study may be undertaken and the results thereof be incorporated in the transportation system.
14	2.27	The Committee note that no comparative study of coastal freight rates <i>vis-a-vis</i> Railway in respect of various commodities has so far been done. Since such a study will be useful as also admitted by the Secretary, Surface Transport during the course of evidence, Planning Commission should conduct such a study at the earliest.
15	2.28	The Committee also desire that the Ministry of Railways (Railway Board) should give urgent consideration to the proposals made by the Ministry of Surface Transport (i) to prepare an integrated plan of coastal-cum-railway traffic in respect of those commodities where two models of transport are required and (ii) for a package deal, for charging of rates for giving encouragement to cargo movement through coastal shipping.
16	3.19	The Committee note that on 01.04.1975, 70 ships were engaged in Coastal Shipping. Their number rose to 187 on 31.12.1992. The Committee are informed that coastal fleet can be upgraded and tonnage can increase if the constraints coming in its way are removed.
17	3.20	The Committee therefore recommend that appropriate steps should be taken to increase the tonnage of

1.	2	3
		coastal shipping as also to deploy suitable types of vessels. In this respect the Government may initiate a proper study so that investment decisions are taken and requisite capacity created for adequate coastal shipping.
18	3.21	The Committee are apprised that 24 ships out of 90 in the coastal trade are more than 20 years old whereas 23 ships are 16 to 20 years old. The Committee are further apprised that to increase the coastal trade small-sized ships have to be made and distances travelled have to be smaller. The Committee feel that there is an urgent need to introduce new ships in the coastal fleet for development of coastal trade.
19	3.22	In order to improve the situation the Committee recommend that the existing old/overaged vessels involving high maintenance and operating costs should be replaced with new vessels which should be modern fuel efficient small and suitable to meet the requirements of Indian ports and development of coastal trade.
20	3.23	During the Seventh Five Year Plan there was a shortfall of 1 million GRT in achieving the 7.5 million GRT target due to resource crunch. The Committee also note with concern that due to resource crunch, no ship could be bought during the Seventh Five Year Plan. The Committee are further informed that the target for the Eighth Five Year Plan has been set forth at 7.0 million GRT which is lower than the Seventh Five Year Plan. During the Eighth Five Year Plan SCI plans to buy 79 ships including second-hand ones.
21	3.24	(a) The Committee therefore expect that efforts would be made to achieve the targets set forth in the Eighth Five Year Plan. The Committee also desire the Ministry to take such urgent steps as are considered necessary and feasible for removal of constraints coming in the way of increase in tonnage. (b) The Ministry of Surface Transport should also maintain separately data of vessels added scrapped for coastal shipping.
22	3.25	The Committee note that the mortgage clause of the Merchant Shipping Act, in which reference to a High

1	2	3
		<p>Court was essential while selling mortgaged ships, was coming in the way of raising financial assistance for ship acquisition from International Bankers and Financiers. These mortgage laws were considered desirable to be changed so that reference to a High Court was avoided because financial institutions, Indian or foreign, which lend money did not feel secure about this provision as it takes unduly long time to dispose off the ship through court procedures and due to this foreign financial institutions were hesitant to lend money to Indian Companies or shipowners.</p>
23	3.26	<p>The Committee are apprised that keeping in view the above mentioned problems Section 51 of the Merchant Shipping Act, 1958 has been amended accordingly with a view to improving the availability of foreign finance for ship acquisition by enabling the sole registered mortgagee of a ship or share to recover the amount due under mortgage by selling the mortgaged ship or share without the intervention of the High Court.</p>
24	3.27	<p>The Committee expect that with the above mentioned provision in the Merchant Shipping (Amendment) Act, 1993 credit loans for procurement of ships etc. will flow in to meet the requirements of the Shipping Industry.</p>
25	3.28	<p>The Committee are informed that the Government does not provide any special financial assistance to coastal shipping except reimbursement of losses incurred by SCI on their services to A&N Islands and Lakshdweep Islands. Even Shipping Credit and Investment Corporation of India which earlier used to give concessional financing for acquiring ships has stopped doing so in consonance with the new economic policy of the Government which aims at removing/reducing subsidies in all the segments of the economy.</p>
26	3.29	<p>The Committee are apprised that a strong plea however has been made to the Ministry of Finance for concessional finance for Shipping Industry including coastal shipping in tune with practice all over the world. In response to their plea, the Ministry of Finance have sought comments of the Ministry of Surface Transport on their proposal for abolition of interest differential subsidy on</p>

1	2	3
		loans provided to ships and Deep Sea Fishing Industries. But the Ministry of Surface Transport have not favoured this proposal until the Minister of Finance take a decision on the following two fiscal concessions agreed to in 1992 viz. (i) exemption from withholding tax on lease rentals and (ii) revision in the depreciation rate applicable to ships from 20% to at least 25%.
27	3.30	The Committee desire that the Ministry of Finance should expedite decisions on aforesaid two fiscal concessions agreed to by them.
28	3.31	The Committee however, feel that in order to give impetus to development of coastal shipping availability of concessional finance for acquisition of ships either by the Ministry of Finance or by the Shipping Credit and Investment Corporation of India, should be reconsidered favourably.
29	4.22	The Committee are apprised that there are 11 major ports and 139 Intermediate/Minor ports (viz. 22 Intermediate and 117 Minor Ports) functioning out of 226 Intermediate/Minor Ports in India. Major Ports are under the jurisdiction of the Central Government whereas Intermediate and Minor Ports fall within the purview of the State Governments.
30	4.23	The Committee are dismayed to note that there is no unified agency between the Central and the State Governments which could liaise cargo handling at Major as well as Intermediate/Minor Ports.
31	4.24	The Committee therefore recommend that as recommended elsewhere the Directorate of Coastal Shipping should function as an agency between the Central and the State Governments in order to have proper coordination and liaison between Major and Intermediate/Minor Ports. This Directorate of Coastal Shipping should also undertake a study about the scope of improvements in the facilities for cargo handling at the various ports.
32	4.25	The Committee also find that due to poor development as also lack of facilities 139 Intermediate/Minor ports do not have sufficient cargo to handle. This in view of the Committee, is gross under-exploitation of these agencies. Efforts should be made to develop transport and communi-

1	2	3
		<p>cation facilities on some Intermediate and Minor ports identified in consultation with maritime States and Indian Coastal Conference and connect these ports with the hinterlands on priority basis. Once such an inland road and rail network is established and communication links are made functional; these ports will also start receiving cargo from interior as they have a cost advantage over the other modes of transport. This will also go a long way in relieving the pressure on an already overburdened road and rail transport system.</p>
33	4.26	<p>The Committee find that turn round time of cargo ships including coastal differs from port to port from 4 to 11.9 days and there is no criteria for judging the efficiency of cargo ships vis-a-vis those of other countries in the face of lack of data in respect thereof. The Committee are further apprised that the Government is engaging private parties to run the facilities so that turn round time is minimised.</p>
34	4.27	<p>The Committee are also informed that the Government is in agreement to privatise development of ports, specialised terminals and port operations.</p> <p>The Government has identified various investment areas with a view to mobilising additional resources and to improve the over-all productivity and performance of the Ports. They are also apprised that still after leasing various Port facilities to private parties, certain basic Port functions will rest with the Government apart from the facilities which are not leased out to private sector.</p>
35	4.28	<p>The Committee, therefore, recommend that with a view to providing impetus to coastal shipping the Government should take expeditious measures including private sector participation towards developing the Ports and modernising port facilities/port operations.</p>
36	4.29	<p>Containerisation has the advantages of reduced cargo handling and transit time and also provides door to door service. The Committee are informed that the vessels employed on the coast are small and are not equipped to carry containers. Further, Intermediate Ports do not have required facilities to handle containers. The freight level offered for coastal cargo does not justify investment to acquire container vessels for coastal cargo. The Committee</p>

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		also note that due to resource constraints at present, the Government do not plan to acquire container vessels and the single CELLULAR container vessel is also not engaged in coastal trade.
37	4.30	They are further apprised of cost effective and more practicable alternative to containerisation viz. Ro-Ro (Roll on Roll off) which has the advantage of road-cum-sea-cum-road transport and which can revolutionise the entire concept of transportation.
38	4.31	The committee therefore, recomend that keeping in view its feasibility and economical cost; Ro-Ro service should be encouraged at some identified ports and adequate facilities for operating such services should be provided at Intermediate/Minor ports. They are of the view that faster development of coastal shipping would require increased pace of containerisation in domestic cargo movement. They, therefore, desire that as already envisaged in the Eighth Five Year Plan, minimum container handling capability at some Ports should be provided after having identified these Ports in consultation with the maritime States and Indian Coastal Conference. In future, whenever new general cargo berths are planned at these Ports, the same should be so designed that they become suitable for handling Ro-Ro container traffic also.
39	5.38	The Committee note that the share of coastal traffic in total inter-regional goods traffic as estimated by NTPC was 2.9% in originating tonnage. The Committee regret to observe that despite advantages offered by Coastal Shipping and pressure on other inland modes of transport, the share of coastal traffic remains meagre.
40	5.39	The Committee find that the coastal-traffic which was 4.81 million tonnes in 1975-76 rose to 22.18 million tonnes in 1987-88. Thereafter the traffic hovered around 22 million tonnes upto 1990-91 when it rose to 25 million tonnes in 1992-93. In this context, the Committee are informed that the main increase has been in the transportation of coal for power plants in South India and movement of Crude Oil and POL. This coastal movement depends respectively on total capacity of thermal stations to generate electricity and

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		pattern of consumption and capacity to generate and refine crude. However, there has been a sharp decline in general cargo and salt traffic over the years.
41	5.40	The main reason for the fall in general cargo traffic is the cumbersome customs procedures and steep rise in cargo handling costs mainly because of increase in labour cost. There is no likelihood of any substantial increase in general cargo traffic in future except in the event of development of coastal container service.
42	5.41	The decrease in salt traffic has been mainly due to the disappearance from the scene of the small ships arriving on the west coast with coal from Calcutta. Salt had been the return cargo for small ships carrying coal for railways and industries. With the continuous shift to diesel and electric locomotives the demand for railway coal declined. Another factor which led to decline in the salt traffic was the discontinuation of transport subsidy in 1981 which used to be paid to Saurashtra salt. Railway freight rate for salt is quite low and contains a hidden subsidy which makes movement by rail cheaper to the detriment of coastal shipping.
43	5.42	The Committee are apprised that as per NTPC Report of 1980 the originating traffic in the coastal trade would be 119 million tonnes by the turn of the century. The Working Group on Shipping set-up for plan period 1990-91 to 1994-95 has projected coastal traffic at 48.27 million tonnes. POL and Coal would be the two major components of this projection constituting 29.74 million tonnes and 13.25 million tonnes respectively. The Committee note with satisfaction that in the matter of increase in haulage of coal which was estimated by NTPC to be 4.5% the actual achievements have been of the tune of 6.46%. Similarly, haulage of POL is healthy 14%. However, the figures of haulage of cement have gone down to 0.69% against the projected 2.5%
44	5.43	The Committee note that the projections of NTPC done almost a decade and a half ago have not been achieved to the full extent. If the present trends are taken as indicators, this implies that the Government has not devoted sufficient attention towards development of Coastal Shipping.

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45	5.44	Further, the Committee fully endorse the view of the Ministry that the movement of goods traffic in respect of projects along the coast should be through coastal routes. The Committee feel that Coastal Shipping has vast potential which has hitherto remained unexploited and with due improvements can become the bulwark of development process of the coastal areas.
46	5.45	The Committee, therefore, recommend that particular attention should also be given to Coastal Shipping while reviewing the National Transport Policy. It should also be ensured while initiating any planning process in the coastal areas that the component of coastal shipping should be an integral part of it.
47	5.46	The Committee are apprised that main passenger traffic on the coast is in Andaman & Nicobar, Lakshdweep and Bombay-Goa sectors which is mainly catered to by SCI. However, in totality the number of passengers carried during the last 10 years has declined.
48	5.47	The Committee feel that to relieve pressure on other modes of transport, coastal shipping is an ideal mode to cater to passenger traffic along the coast line.
49	5.48	The Committee, therefore, recommend that efforts should be made to increase the passenger traffic by providing adequate facilities, and services. In view of its energy efficient and relatively pollution free qualities, the Committee desire that steps should also be taken so that Coastal Shipping caters to passenger traffic along the coastline thereby relieving pressure on other modes.
50	5.49	The Committee find that Gujarat has the largest coastal traffic while Goa has the least. The reasons attributed for the traffic at Gujarat are large number of Minor Ports functioning along the coast, situation of a large number of coastal projects, good communications network serving the hinterland and a well functioning machinery available to look after the ports management within the State. The Ministry also apprised the Committee that the traffic at Goa was scanty because of the lack of traffic. The Committee feel that for raising the coastal traffic it would be necessary to develop and maintain Minor Ports along the coast of the particular State which in turn would require funds.

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51	5.50	The Committee, therefore recommend that adequate resources should be placed at the disposal of States so that priority can be accorded to the development of Minor Ports in those states.
52	5.51	The Committee observe that the problems relating to Coastal Shipping are being studied since 1980 by various Committees. The National Transport Policy Committee examined the problems of Coastal Shipping in a wider perspective and suggested various measures for future growth of Coastal Shipping.
53	5.52	Further, the Pradhan Committee in 1981 while taking note of the recommendations of the National Transport Policy Committee suggested a number of measures so that Coastal Shipping could play its assigned role in the development of trade in the country. One of its main recommendations related to creation of a separate Directorate of Coastal Shipping for coordination and organisation of coastal operations.
54	5.53	Recently in August, 1992, the Government in pursuance of the decision of the Committee of Secretaries constituted an Inter-Ministerial Working Group under the Chairmanship of Director General of Shipping to study various constraints affecting Coastal Shipping. The Working Group submitted its report in 1993. Follow-up action on the recommendations of the Group was proposed to be taken thereon by the Government.
55	5.54	<p>The Committee, however, note that the major areas/problems identified by these Committees as well as the Group broadly include:—</p> <ul style="list-style-type: none"> — simplification of Customs procedure; — improvement of infrastructural facilities including the development of Minor Ports; — financial aspects to enable replacement of ageing coastal fleet; acquisition of modern coastal vessels; and — infrastructural development of minor/intermediate ports, particularly road and rail links and berthing facilities.

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56	5.55	The Committee find it distressing that despite repeated recommendations regarding short term and long term measures for development of Coastal Shipping made by various Committees, the Government has not so far initiated any action resulting in any tangible improvement in this direction.
57	5.56	The Committee therefore, call upon the Government to urgently take concrete steps to improve the state of Coastal Shipping by removing the constraints identified by various Committees and implementing the recommendations made by them.
58	5.57	A factor hampering the growth of Coastal Shipping is the cumbersome customs and documentation procedure at the ports. Successive Committees like National Transport Policy Committee and Pradhan Committee have pointed out towards these aberrations and Government have also acted to bring out an Export General Manifest to simplify the procedure.
59	5.58	The Committee are however concerned to note that despite the changes towards simplification, not much has changed at the ground level. The Department of Revenue issued orders in 1986 replacing all documents by only one viz. Export General Manifest for coastal vessels. It is unfortunate that certain ports are not implementing these orders and still insist on documentation which was in vogue prior to 1986 with the result that the shippers continue to face the same problems even at vital ports like Madras, Visakhapatnam and Calcutta.
60	5.59	The Committee are informed that recommendations made by the Inter-Ministerial Working Group relating to the simplification of Customs procedure have been sent to the Ministry of Finance (Deptt. of Revenue) — Central Board of Excise and Customs. The acceptance of these recommendations has not been received by the Ministry of Surface Transport so far.
61	5.60	The Committee desire that the recommendations of the Inter-Ministerial Working Group relating to the simplification of Customs procedure being in the interest of Coastal Shipping should be considered and accepted without any further delay.

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62	6.11	<p>The Committee are informed that the Government notified freight rates and passenger fares apply only to mainland—A&N and mainland—Lakshadweep traffic. Cargo freight rates for mainland coastal movement are not fixed by the Government except for salt and industrial coal moving from Haldia to Tuticorin. The reason furnished being that at the time of fixation, these two commodities constituted about 75 to 80% of dry cargo traffic. The freight rates for general cargo are determined through direct negotiations between ship-owners and shippers on commercial basis. The reason Government did not consider general cargo for fixation of freight rates was that it was on the decline.</p>
63	6.12	<p>The Committee are further apprised that in view of decline and stopping of coal and salt traffic, the Ministry has proposed denotification of freight rates in respect of coal and salt through deletion of Section 412 of the Merchant Shipping Act.</p>
64	6.13	<p>The Committee agree that the Ministry should not tinker with the freight rates fixed by shippers and shipowners without involving Government representative through statutory mechanism and allow the market forces to work. At the same time, the Committee desire that Government should keep a close watch over the hike in passenger fares and freight rates which may have detrimental effect on the coastal traffic.</p>
65	6.14	<p>The Committee are apprised that the passenger fares and freight rates of A&N and Lakshadweep Islands have been kept low as a policy from their development. The Committee note that since the cost of operations has been increasing every year without commensurate increases in freights since 1985, losses have been mounting year by year. The Committee further note that till 30.06.87 SCI was getting reimbursed losses upto 80% and rest 20% being borne by it. Since 1.7.87, SCI has been reimbursed 100% of the losses. The Committee are further apprised that freight rates which came into force in 1991 are proposed to be discussed. To reduce the losses on mainland-Island sector the SCI has suggested to Government directly as well as through Indian Coastal Conference to increase the fares and freight.</p>

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66	6.15	The Committee are also apprised that Shipping Rates Advisory Board studies and recommends revision of freight rates between mainland and the islands after taking into account the latest available cost of operating income and allied finance structure of the companies as also the maximum freight burden the islanders can bear.
67	6.16	The Committee recommend that the Government should take gradual measures to revise passenger fares and freight rates so as to cover the operating cost of shipping service in mainland island coastal traffic to minimise the losses.
