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# SHIPPING CORPORATION OF INDIA LTD.

MINISTRY OF SURFACE TRANSPORT

## COMMITTEE ON PUBLIC UNDERTAKINGS 1990-91

FIFTH REPORT

NINTH LOK SABHA



LOK SABHA SECRETARIAT  
NEW DELHI

# FIFTH REPORT

## COMMITTEE ON PUBLIC UNDERTAKINGS (1990-91)

(NINTH LOK SABHA)

**SHIPPING CORPORATION OF INDIA LTD.**

(MINISTRY OF SURFACE TRANSPORT)

[Action taken by Government on the recommendations contained in the 44th Report of the Committee on Public Undertakings (Eighth Lok Sabha)]

*Presented to Lok Sabha on 7.9.1990  
and Laid in Rajya Sabha on 7.9.1990*



LOK SABHA SECRETARIAT  
NEW DELHI

*September, 1990/Bhadra, 1912 (Saka)*

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CORRIGENDA TO THE FIFTH REPORT OF  
COMMITTEE ON PUBLIC UNDERTAKINGS(1990-91)  
ON SHIPPING CORPORATION OF INDIA LTD.

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**COMMITTEE ON PUBLIC UNDERTAKINGS  
(1990-91)**

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1. **Shri R.L.L. Dubey — Joint Secretary**
2. **Smt. P.K. Sandhu — Under Secretary**

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\*Elected w.e.f. 31.8.1990 in the vacancies caused by resignations of Shri Virendra Verma from Rajya Sabha and Dr. G. Vijaya Mohan Reddy from the Committee.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Fifth Report on Action Taken by Government on the recommendations contained in the Forty-Fourth Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Shipping Corporation of India Limited.

2. The Forty-fourth Report of the Committee on Public Undertakings (1987-88) was presented to Lok Sabha on 27 April, 1988. Replies of Government to all the recommendations contained in the Report were received by 7 August, 1989. The Committee considered and adopted this Report at their sitting held on 8 August, 1990.

3. An analysis of the action taken by Government on the recommendations contained in the Forty-fourth Report (1987-88) of the Committee is given in Appendix-II.

NEW DELHI;  
September 6, 1990  

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Bhadra 15, 1912(S)

BASUDEB ACHARIA  
Chairman  
Committee on Public Undertakings

## CHAPTER I

### REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Forty-fourth Report (Eighth Lok Sabha) of the Committee on Public Undertakings on Shipping Corporation of India Ltd. which was presented to Lok Sabha on 27 April, 1988.

2. Action Taken Notes have been received from Government in respect of all the 30 recommendations contained in the Report. These have been categorised as follows:—

- (i) *Recommendations/observations that have been accepted by Government.*  
Sl. Nos. 1, 2, 4—11, 13—14, 17, 18, 20, 22—25, 27—30
- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of Government's replies.*  
Sl. Nos. 15 and 26
- (iii) *Recommendations/observations in respect of which final replies of Government have not been accepted by the Committee.*  
Sl. Nos. 3 and 16
- (iv) *Recommendations/observations in respect of which final replies of Government are still awaited.*  
Sl. Nos. 12, 19 and 21.

3. The Committee are constrained to point out that after presentation of Forty-fourth Report (Eighth Lok Sabha) in April, 1988 it took the Ministry of Surface Transport about 15 months in furnishing action taken replies, duly vetted by Audit, whereas these were required to be submitted by 27 October, 1988. Replies to recommendations were furnished to the Committee in batches by 2 August, 1989, and that too after repeated reminders. The Committee deprecate this inordinate delay in furnishing the action taken replies and the casual manner in which the Ministry have treated the recommendations of the Committee. Surely, the Committee expect greater attention of the Ministry in accepting and implementing their recommendations. The Committee, therefore, hope that the Ministry will take better care in future and furnish action taken replies within the stipulated time.

4. The Committee desire that the final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously.



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

*A. Acquisition of Vessels*

**Recommendation Sl. No. 3 (Paras 2.66 & 2.67)**

5. The Committee noted that till June, 1985 acquisition of vessels by SCI was on the basis of limited tenders. To overcome the limitations of negotiation with only the short-listed shipyards, the Government of India at the instance of Audit revised procedure in June, 1985 whereby advertisements were now being given in selected newspapers in India and selected journals abroad. The sealed offers, when received, were evaluated and a shortlist upto a maximum of 10 was prepared. The shortlisted shipyards were asked to give final specifications and commercial offers which were again evaluated and submitted to Ship Acquisition Committee.

6. The Committee were surprised to find that even after introducing the global tender system the magnitude of response from Shipyards had remained more or less the same. The Committee, therefore, recommended that the matter should be examined in greater details with a view to finding out the factors responsible for the low key response from foreign shipyards and constraints, if any, removed to enable the maximum number of foreign shipyards to participate in the scheme for acquisition of ships.

7. In their reply, the Ministry of Surface Transport have stated that the issue has been examined by them in detail and found the reasons, why the number of shipyards responding was more or less the same under both systems, were the following:—

- (i) Even when the SCI was following the limited tender system prior to 1985, the Corporation was covering the major ship builders in all the major shipbuilding areas depending upon the capabilities and experience of the shipyards.
- (ii) In deciding to respond to a tender the shipyards are primarily guided by their order book at that time, their technical capability and (these days) sometimes also by their ability to offer attractive financing terms.
- (iii) Due to the deep and prolonged recession in shipping from the late 70s onwards, there has been substantial restructuring and rationalisation in world shipbuilding capacities. This has also involved closure of several shipyards. According to some estimates the world shipbuilding capacity has come down by about 20 per cent.

8. The Ministry have further stated that in recent global tenders invited by the SCI, the number of shipyards that have responded have varied from 3 to 10 depending on the type of vessel for which tenders have been invited. Under the present system there are no constraints on shipyards

responding to SCI Tenders. Whether they will respond to a tender enquiry or not will depend on a commercial decision taken by the shipyard's management.

**9. The Committee do not feel satisfied with the reply of the Government. They desire that the system of inviting global tenders, introduced in June, 1985, for acquisition of vessels should be continued so that maximum number of foreign shipyards can avail of the opportunity to compete for the tenders.**

**B. Placement of adequate orders on Indian Shipyards**

**Recommendation Sl. No. 6 (Paras 2.74 to 2.77)**

10. The Committee had observed that in February, 1977 Government had issued guidelines imposing a *pari passu* obligation on Indian Shipping Companies purchasing vessels from abroad to place orders on indigenous shipyards. The *pari passu* obligation stipulated *inter alia*, that if the Indian Shipping Company purchased a new ship from abroad it must place order for equivalent tonnage on Indian Shipyard or in the case of second hand ship to the extent of the value of the ship acquired from abroad. Neither the Director General, Shipping, who was responsible for administering the guidelines nor the Shipping Development Funds Committee which had been given the role of advising the Government on the proposal for acquisition of vessels from abroad had ensured the implementation of *pari passu* obligation. As a result the outstanding *pari passu* obligation in favour of Indian Shipyards stood at 21.70 lakh DWT in February, 1988 as informed by the Ministry of Surface Transport. This large un-met obligation had led to a situation where indigenous shipyards had been starved of orders and had in turn incurred heavy losses. The Committee had, therefore, stressed that the Government must ensure that at least an order which could be executed within the country was not placed outside.

11. In their reply, Government have stated that the following steps have been initiated to ensure adequate flow of orders on Indian Shipyards for utilisation of their capacity:

1. Revised *pari passu* obligation stipulates that a shipping company having *pari passu* obligation will have to clear the same by placing order on Indian shipyards before any fresh case for import could be considered for the same company.
2. To encourage the Indian shipping companies to place orders on Indian shipyards, Government has further decided that a shipping company will be allowed to place orders on Indian shipyards beyond the assessed tonnage requirement in a particular period.
3. Government have also set up a Committee under the

Chairmanship of Secretary (SFT) to review and suggest long-term measures for ensuring adequate orders on Indian shipyards.

4. With the above measures, it is expected that the Indian shipyards will not be starved of orders in future.

12. The Committee hope that with the scrupulous observance of the revised guidelines on *pari passu* obligations and other measures initiated by the Government to keep the Indian Shipyards fully occupied, the Shipyards would not, in future, starve for want of adequate orders. The Committee would also like to know the recommendations of the Committee set up by Government to review and suggest longterm measures for ensuring adequate orders on Indian Shipyards and the action taken by Government thereon.

*C. Purchase of big vessels of higher DWT to circumvent *pari passu* obligation by SCI to be avoided*

**Recommendation Sl. No. 7 (Para 2.78)**

13. The Committee had observed that in view of huge losses suffered by Indian Shipyards and to stop the outgo of foreign exchange, the Government should advice SCI to avoid purchasing of big vessels of higher DWT from foreign shipyards especially when vessels of 86,000 DWT were reportedly suited to meet its requirement and could now be built by Cochin Shipyard Ltd. The Committee had, therefore, desired that the Government should fully ensure that SCI was not allowed to go in for 1,20,000 DWT vessels to circumvent *pari passu* obligation as apprehended by Indian Shipyards.

14. In their reply, Government have stated that the size of a particular type of ship is determined by trade pattern and economic considerations and considering the overall size of the fleet of SCI, the number of ships of larger size are only few and as such the question of SCI resorting to purchase of larger size vessels to circumvent the *pari passu* obligation of Indian Shipards does not arise.

15. The Committee are not convinced with the reply of the Government which is of a general nature and is rather vague. The Committee would like the Government to fully examine the requirement of SCI for larger size vessels with a view to ensure that the purchase of such vessels from foreign shipyards is not resorted to circumvent the *pari passu* obligations.

*D. Cargo support for Indian Vessels*

**Recommendation Sl. No. 12 (Para Nos. 3.72 & 3.74)**

16. The Committee had noted that there was no scheme for cargo support for Indian vessels at Indian ports as was the practice followed in many countries in the world. The Committee had, therefore, felt that in order to get the Indian Shipping enough cargo no less urgent was the

need to ensure compulsory support to Indian ships through a legislation so that Indian Shipping Industry should remain in business.

17. The Committee had been informed during evidence by the Secretary, Ministry of Surface Transport that the Commerce Ministry had strongly opposed the idea of compulsory cargo support on the plea that "if we are compelling the exporters to export through Indian vessels, it may act as a damper on exports." The Committee desired the Surface Transport Ministry and the Ministry of Commerce to sort out the differences on this account and come to the aid of Indian Shipping Industry without delay. The Committee had recommended that the proposed legislation on cargo support should be enacted at the earliest.

18. Government have stated in their reply that the U.N. Convention on Code of Conduct for Liner Conferences enunciates the 40:40:20 formula under which the national shipping lines are entitled to a share of 40% each in their national trade, leaving balance 20% for third country lines. Though the Ministry of Surface Transport is in favour of implementing this provision by means of a Parliamentary Legislation, apprehensions have been raised in many quarters that this will adversely affect India's export trade. This matter has been under discussion at different fora, i.e. Committee of Secretaries, Group of Ministers, Cabinet etc. In view of the formation of the new Government, the matter requires to be submitted to the Cabinet again. Draft Note for the Cabinet has been circulated to various Ministries on 9.3.1990. Comments of the concerned Ministries/ Departments except Ministries of External Affairs and Law have since been received.

19. It is disquieting that though more than two years have elapsed since the presentation of the Committee's Report to Parliament in April, 1988 yet no concrete action has so far been taken by Government to bring in any legislation for protecting the business interests of the Indian Shipping Industry in the International field. Even after more than two years the matter is still stated to be under discussion with the concerned Ministries/ Departments of Government. The Committee take a serious view of the unusually long time being taken by Government in enacting the desired legislation for giving compulsory cargo support to Indian ships. The Committee, therefore, re-emphasise that the proposed legislation on cargo support should be enacted without any further delay and the Committee apprised of the action taken in the matter within 3 months of the presentation of the Committee's Report to Parliament.

#### *E. Operational results of two Very Large Crude Carriers*

##### **Recommendation Serial No. 16 (Para Nos. 3.80 & 3.82)**

20. The Company acquired two Very Large Crude Carriers (VLCCs), Kanchanjunga and Koyali of 2.77 lakh DMT each from Yugoslavia in September, 1975 and February, 1976 respectively. but both these vessels are now being used mainly as storage tankers. Due to frequent breakdowns,

the Company incurred heavy losses perpetually on these ships and the total loss suffered by the Company on account of these ships during the year 1979-80 to 1983-84 was of the order of Rs. 33.61 crores. There was a marginal profit of Rs. 0.57 crore in 1984-85 but in 1985-86 the vessels again incurred a loss of Rs. 1.04 crores.

21. The Committee were distressed to find that even when there was a considerable demand for VLCCs in the market, the two VLCCs (Kanchanjunga and Koyali) of SCI were unable to take advantage of the situation because of their larger dead weight and draft vis-a-vis other VLCCs and as a result they have been incurring heavy losses continuously. The Committee urged upon SCI to consider ways and means to utilise these two VLCCs gainfully and make them commercially viable.

22. Government have in their reply stated that Kanchanjunga and Koyali were basically acquired for transporting crude for the Koyali and Mathura refineries. Unfortunately, however, when the vessels were delivered to the SCI the Mathura Refinery was not ready and therefore a problem arose about the employment of these vessels. The problem was further aggravated due to the collapse of the tanker freight market. Consequently, the operation of these vessels resulted in heavy losses between 1975-76 and 1983-84 (except Koyali during 1976-77 and 1982-83 when she could be utilised for crude oil transportation for Indian refineries).

23. Government has further stated that it has been the endeavour of the SCI to induct these vessels into the national oil transportation circuit as far as possible with a view to make them commercially viable. However, the volume and the pattern of the national oil trade could not provide employment to these two units for sizeable periods up to 1981-82. This scenario has been undergoing changes thereafter and it has been possible to utilise these vessels in the Indian Oil circuit for considerable periods since 1984-85. The financial results of VLCCs since 1984-85 are stated to have been as under:

(Rs. in lakhs)

Year		Total
1984-85	+	57.22
1985-86	+	102.05
1986-87	+	99.46
1987-88	+	398.23
	(Provisional)	

24. According to Audit, the actual figures as per voyage results of VLCCs are as follows:—

Year	Voyage results of VLCCs (Rs. in lakhs)
1984-85	(+) 57.22
1985-86	(-) 104.58
1986-87	(-) 98.49

25. In their reply to the Audit's observations, Government have stated that under the crude oil transportation contract with Indian Oil Industry on cost plus basis, the freights and demurrages paid in respect of voyages performed during the year are on provisional basis. Only after the finalisation of the accounts, the actual costs of transportation are worked out and cost differential, if any, is recovered from the oil industry on submission of audited statement of accounts. After taking into account the cost differential recoverable from the oil industry in respect of year 1985-86 and 1986-87, the operations of the two vessels together have produced positive results. The details of operational results with and without year-end cost differential for the year 1985-86 are given below:—

	Operational result without taking into account cost differential	Cost differential	Operational Result after taking into account cost differential
(Rs. In Lakhs)			
1985-86			
Kanchanjunga	(+) 103.14	(+) 74.98	(+) 178.12
Koyali	(-) 207.71	(+) 131.64	(-) 76.07
	(-) 104.57	(+) 206.62	102 (Prov.)
1986-87			
Kanchanjunga	(-) 7.02	(+) 126.65	(+) 119.63
Koyali	(-) 91.45	(+) 48.63	(-) 42.82
	(-) 98.47	(+) 175.28	(+) 76.81 (Prov.)

26. The figures of the combined financial results for 1986-87 of the two VLCCs have now been revised from (+) Rs. 99.46 lakhs to (+) Rs. 76.81 lakhs (Provisional). These are based on audited figures and would be final subject to acceptance by Oil Coordination Committee.

27. From the operational results of the two VLCCs, (Kanchanjunga and Koyali) for the years 1985-86 and 1986-87, the Committee find that Kanchanjunga had been earning profit while Koyali had incurred loss of Rs. 76.07 lakhs and Rs. 42.82 lakhs respectively during the above two years. Evidently Koyali is not yet out of the wood. The Committee desire

that earnest efforts should be made to make Koyali also commercially viable as otherwise it will prove to be a continuous liability on SCI. They also desire that efforts should also be made to further improve the financial performance of Kanchanjunga in which case profit has dipped from Rs. 178.12 lakhs in 1985-86 to Rs. 119.63 lakhs in 1986-87.

*F. Acquisition of fully cellular container vessels*

**Recommendation Serial No. 21 (Para 4.19)**

28. While examining the aspect of containerisation, the Committee on Public Undertakings (1981-82) had *inter alia*, commented that although SCI was operating container service on 6 liner routes with COMBI vessels it had not got so far cellular container ships which were specifically suited for container traffic and the same should be acquired by SCI. The Committee were unhappy that their recommendation had not been implemented even after a lapse of six years.

29. In their reply, Government have state that the SCI has been making extensive efforts to acquire fully cellular container vessels through new building as well as second hand purchase. However, for various reasons including financial viability of offers received; the SCI has so far been unable to finalise acquisition of fully Cellular vessels.

30. The proposals of SCI for acquisition of three 1450 TEU container vessels could not be finalised before the expiry of the validity of the offers, SCI would be submitting fresh proposals to Government in this regard. SCI has also submitted a proposal for jumboisation of their twelve Combi Vessels (Container Carriers) and is under active consideration with the Government. This will enable SCI to expand the container carrying capacity of these twelve ships. The project is pending consideration by the Public Investment Board.

31. The Committee are not convinced with the routine reply given by the Government for not acquiring fully containerised ships. Almost 9 years have passed since the Committee first recommended in 1981-82 that the Shipping Corporation of India should acquire Cellular Container Vessels. It is common knowledge that Shipping industry is becoming more and more sophisticated all over the world and more and more countries are switching over to fully containerised ships, SCI are still toying with the idea of acquisition of Cellular Container Vessels through new building as well as second hand purchase. The Committee are not happy with this lackadaisical approach of SCI in acquiring these vessels. Since Shipping Corporation of India has itself recognised the fact that containerisation is crucial to success in future liner operations and has identified containerisation as a key future thrust area it is surprising that no concerted efforts have so far been made by SCI to acquire fully Cellular Container Vessels. The Committee, therefore, recommend that SCI should make all out efforts to acquire these container ships without any further delay. They also desire that the proposal submitted by

**Shipping Corporation of India for jumboisation of their twelve Combi Vessels may also be cleared expeditiously.**

*G. Creation of facilities for dry docking Indian Ships in Indian Yards*

**(Recommendation Serial No. 28 (Paras 5.20 & 5.21)**

32. The Committee found that during the years 1980-81 to 1984-85 the Company had spent huge amounts ranging from Rs. 23 crores to Rs. 44 crores in getting its ships repaired abroad whereas Indian Shipyards' share during the same period was between Rs. 17 crores to Rs. 29 crores. The reasons attributed by SCI for this big outflow of foreign exchange had been that dry docking facilities in India were inadequate, expensive and time taken to dry dock ships at Indian ports was more than the time taken abroad.

33. The Committee, therefore, recommended that Government should make all out efforts to remove the deficiencies, if any, in the Indian Yards and augment the existing facilities of dry docking of ships in Indian ports with modern equipments to meet the requirements of the shipping companies which were engaged in modernising their fleet to compete in the world market.

34. Government have, in their reply, stated that as per an assessment done by the working Group on 7th Plan for the shipbuilding and Shiprepairs Sectors, the shiprepair facilities required to service the Indian Ships are as follows:

- (a) No. of dry dock days required—4500 days/annum
- (b) No. of repair berth days required—4500 days/annum

35. As against the above, the capacity at present available indigenously is as follows:—

- (a) No. of dry dock days available—2600 days/annum
- (b) No. of repairs berth days available—1500 days/annum.

It is evident that the existing shiprepair facilities in the country are grossly inadequate to meet the demand and, therefore, a number of ships belonging to SCI and other Shipping Companies have to be sent abroad for dry docking and repairs. On an average about Rs. 40 to Rs. 50 crores are spent in foreign exchange every year on repairing the Indian Ships abroad. Government are conscious of the need for augmenting the shiprepair facilities in the country in order to save valuable foreign exchange. Government has cleared a proposal for creation of an integrated ship repair facility at Madras Port by a Private Entrepreneur. Two floating dry docks have since arrived in India. While the repair work is expected to start by end of June, 1990, the facilities will be fully operational by September, 1990. Further, a Project for a feasibility study relating to establishment of two shiprepair complex—one in the East Coast and one in the West Coast is under consideration with technical assistance from ADB.



The Techno-Economic Feasibility study is expected to start by July/August, 1990 and is likely to be completed by March, 1991. Besides the above, the following schemes have been/are under consideration for implementation:

- (i) Modernisation of shiprepair facilities at Hindustan Shipyard Ltd. Visakhapatnam (Completed at a cost of Rs. 4.457 crores).
- (ii) Additional quay at Cochin Shipyard Ltd., Cochin for wet repair berth has been approved at an estimated cost of Rs. 16.70 crores. The whole project is expected to be completed by Dec., 1990.
- (iii) Modernisation of shiprepair facilities at Calcutta Port-Phase I at an estimated cost of Rs. 4.76 crores. The project is expected to be completed by December, 1991.
- (iv) Modernisation of shiprepair facilities at Bombay Port at an estimated cost of Rs. 19.02 crores. This has been divided into two parts viz. (a) modernisation of existing shiprepair facilities and (b) replacement of Caissons at Hughes and Merewether docks. While the second part is expected to be completed by 1991, the first part is expected to be completed by 1994.
- (v) Dredge repair facility at Calcutta at an estimated cost of Rs. 10 crores in the joint venture.

**36. The Committee have observed that with a view to modernising/creating more ship repair facilities in Indian Shipyards Government have, based on their assessment made in Seventh Plan, under consideration a number of schemes for implementation during the Eighth Five Year Plan. The Committee trust that Government would closely watch progress of implementation of these schemes with a view to ensure their timely completion. They would also like to be apprised of the augmentation of capacity in terms of dry dock days and repair berth days as a result of implementation of these schemes. The Committee recommend that the demand for and availability of capacity in regard to these should be assessed afresh and Government should take urgent steps to fill the gap, if any.**

*H. Declining trend in ship repair work entrusted to Government owned/controlled workshops*

**( Recommendation Sl. No. 30 (Para 5.23)**

37. The Committee had noted that the repair work entrusted to Government owned/controlled workshops was 41 per cent in 1977-78 which dropped to 21% in 1983-84 and just 16% in 1984-1985, which implied that 59% to 84% repair work had gone to the private workshops. The Committee did not approve of this large scale repair work being given by SCI to private workshops and Government workshops share declining year after year. The Committee felt that even though Government policy was to give repair work to Government owned/controlled workshops but this policy was not being followed in all seriousness by SCI. The

Committee, therefore, desired that Government should issue fresh instructions to SCI to follow the Government policy in this regard strictly. The Committee had also desired that the Government owned/controlled workshops should gear up their activities by devising a suitable strategy for improving their performance in their ship repair field with a view to be competitive with privately owned workshops.

38. In their reply, the Ministry have stated that the ship repair work being of jobbing nature, for intermittent and running repair requirement there is no Government instruction giving preference to a public sector/ Government yard.

39. The Committee are not convinced with the reply of the Government. They need hardly express their unhappiness over the declining trend in the repair work entrusted to Government owned/controlled workshops. They reiterate their recommendation that government should issue instructions to SCI to give repair work to Government owned/controlled workshops in preference to the private workshops. As desired by the Committee, the Government owned/controlled workshops should be asked to devise a suitable strategy for improving their performance in the ship repair field with a view to be competitive with privately owned workshops.

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### **Recommendation Serial No. 1, Paragraph Nos. 1.18 & 1.19**

1.18 The Committee are surprised to note that the Shipping Corporation of India Ltd. have not formulated its Objectives and obligations and get them approved by Government inspite of BPE's instructions issued on the subject as back as in 1970. The Committee are informed that in October, 1972 the Board of Directors of SCI approved the basic objectives and also the Objectives and Obligations of the Corporation for the 5th Five Year Plan. But these objectives do not appear to have been sent to the Ministry for approval. There is no correspondence available in SCI file to indicate any further development with regard to these objectives. In fact the CMD of SCI admitted in evidence that 'It was not followed up on either side'. In this connection, the Ministry of Surface Transport have also informed the Committee that 'Records in the Ministry show that file was opened in 1971 on this subject and was closed in February 1973, and despite best efforts it has not been possible to locate the above mentioned file and SCI also do not have in their file a copy of the letter written by them to the Ministry forwarding their objectives and obligations'. The Committee cannot but express their displeasure over this sorry state of affairs where the important papers dealing with objectives of the Company are available neither in the Ministry nor in the records of the Company. There is lack of monitoring mechanism to ensure implementation of important issues. As a result, even till today the objectives and obligations have not been approved by the Ministry. What is most surprising is that neither the company nor the Ministry followed up the matter. The Committee recommend that immediate action be taken to formulate the objectives and obligations of SCI and get them approved by the Ministry without any further loss of time. The Committee need hardly emphasise that clearly spelt out objectives will not only enable the company to know the areas of operations but will also enable the Government to evaluate on realistic basis the performance of the company with reference to approved objectives. The monitoring mechanism should be streamlined and strengthened to keep track of important issues.

1.19 The Committee are also informed that in October, 1983 in terms of BPE's instructions of May, 1979 the then Ministry of Shipping and Transport asked SCI to frame its micro objectives in consonance with micro objectives spelt out for Public Sector in the Industrial Policy Resolution of December, 1977. Accordingly, the company is reported to

have formulated the micro objectives and submitted the same to Ministry for approval on 5 January, 1984. The Ministry's approval to the micro objectives conveyed on 7 February, 1984, was withdrawn a fortnight later on 23-2-1984, as it was not approved by the competent authority. In July, 1987 when the Company checked up with the Ministry about the decision regarding the approval of their micro objectives formulated in January, 1984, they were informed that the Ministry had written back to them on 3rd January, 1985 suggesting the Corporation to formulate its micro objectives on the lines of Corporate Objectives of Hindustan Shipyard Ltd. which had been approved by the Government. This communication is also reported to be not available in the file of SCI and a copy thereof was obtained by SCI from the Ministry in October, 1987. Shipping Corporation of India is now reported to have formulated micro objectives in January, 1988 which were approved by the Ministry on 10 February, 1988. This is indicative of the lukewarm attitude of the Government and the SCI to the important issue and the pace of finalisation of micro objectives appears to have been accelerated only after the Committee on Public Undertakings took up examination of SCI.

#### **Reply of the Government**

In terms of the instructions of the Bureau of Public Enterprises vide their O.M. dated 3-11-70, the Board of Directors of Shipping Corporation of India Ltd. passed a resolution on 30-10-1972 approving the objectives and obligations framed by the Shipping Corporation of India management. As indicated earlier to the Committee on Public Undertakings, the records in the Ministry show that a file was opened in 1971 bearing No. SY-15(3)/71 on the subject and the file was closed on 8th Feb., 1973. Despite best efforts, it had not been possible to locate this file. SCI also could not lay their hands on any letter issued by them to the Ministry forwarding the objectives and obligations for Government approval. The lapse on the part of the SCI and of the Ministry is deeply regretted.

2. The objectives and obligations as originally approved by the Board of Directors of SCI on 30-10-72 covered two parts. i.e. (i) basic objectives of the SCI and (ii) objectives and obligations for the 5th Five Year Plan. The second part i.e. objectives and obligations for the 5th Five Year Plan is no longer relevant. So far as first part i.e. basic objectives of the SCI is concerned, it may be stated that the same has been incorporated as a separate para in the micro objectives of the Shipping Corporation of India Ltd. approved by the Government and communicated to the SCI vide Ministry's letter No. SS/11036/114/87-SY-II dated 18-2-88. It has been indicated in the above mentioned letter of the Ministry that the basic objectives of the Shipping Corporation of India Ltd. as approved by the Board of Directors of SCI at the meeting held on 30-10-72 in pursuance of BPE's O.M.No. 9(156)/70-BPE(GM-I) dated 3-11-78 stand integrated in the micro objectives. Thus the basic objectives of the Shipping Corporation of India Ltd. have already been covered in the detailed micro objectives

approved and communicated to SCI on 18-2-88. A copy of this Ministry's letter No. SS/19836/114/87-SY-II dated 10-2-88 along with the enclosure is at Annexure-I.

3. With regard to the streamlining the procedure regarding proper maintenance of files and other relevant records in the Ministry, detailed instructions have been issued on 26-4-88. A copy of the instructions issued vide this Ministry's letter No. I-26/8/88-S & M, dated 26-4-88 is at Annexure-II.

[Ministry of Surface Transport O.M. No. H-11013/1/88-SY. II dated 2.6.89]

GOVERNMENT OF INDIA  
MINISTRY OF SURFACE TRANSPORT  
(SHIPPING WING)

No. SS/11036/114/87-SY II

New Delhi, the 10th February, 1988

To

The Chairman & Managing Director,  
Shipping Corporation of India Ltd.,  
245, Madame Cama Road,  
Bombay-400021

**SUBJECT:** *Framing of Micro Objectives of the Shipping Corporation of India Ltd.*

Sir,

I am directed to refer to your letter No. A-10-SEC-BD/3003/1 dated 5-1-88 on the above mentioned subject and to say that the objectives submitted by the Shipping Corporation of India Ltd. have been examined by the Govt. and I am directed to convey the approval of the Central Govt. to the micro objectives of Shipping Corporation of India Ltd. as indicated in the enclosed statement. It may be added that the basic objectives of Shipping Corporation of India Ltd. as approved by the Board of Directors of SCI at the meeting held on 30-10-1972 in pursuance of BPE's O.M. No. 9 (156)/70-BPE(GM-I) dated 3-11-1970 stand integrated in the micro objectives indicated in the enclosed statement.

Yours faithfully,

Sd/-  
(V.M. Lal)  
Director(S)

Copy to:

- (i) Bureau of Public Enterprises,  
Public Enterprises Bhavan,  
CGO Complex, Lodhi Road,  
New Delhi-110003—Reference BPE's O.M. No. 9(135) (4)/73-BPE(GM-I) dated 7-5-1979 and O.M. No. 25(3)/83(I&R) BPE dated 7-9-1983 on the subject.
- (ii) Finance Wing (TF I Section)
- (iii) Guard File

Sd/-  
(V.M. Lal)  
Director(S)

## **Micro Objectives of Shipping Corporation of India Limited**

### ***I. Incorporation of the SCI***

The Shipping Corporation of India Ltd. (The SCI) was incorporated on 2nd October, 1961 by amalgamating the two public sector corporations namely the Eastern Shipping Corporation Ltd. and the Western Shipping Corporation Ltd. into a single company, by an Order made by the Govt. of India, for the purpose of securing co-ordination in policy and the efficient and economical expansion and the carrying on of the shipping business in the public sector in India. The SCI was incorporated under the Companies Act, 1956.

### ***II. Macro objectives of public sector***

1. The macro objectives of the public sector were spelt out in the Industrial Policy Statement of the Govt. of India made in the Parliament on 23rd December, 1977. The Statement, inter-alia, assigns an expanding role to the public sector in several fields and envisages its further growth.

2. The public sector was developed in India to serve a number of policy objectives. Two of the important objectives have been : Development of infrastructure for economic development and promotion of self-reliance. Shipping is one of the sectors which falls within the ambit of these twin objectives.

3. A strong public sector in shipping is also important for national security to serve and maintain essential foreign trade and move men and supplies specially during emergencies.

4. National shipping is one of the most important "invisible" contributors to the country's balance of payments and has a special role in promoting exports.

### ***III. Basic objectives for the Shipping Corporation of India Ltd. as laid down in October, 1972 pursuant of BPE's OM No 9(156)/78-BPE (GM-I) dated 3-11-1970.***

1. To acquire, own and operate ships on a commercial basis so that public sector has an increasing and predominant role in Indian shipping.

2. To promote and assist India's international trade in general cargo and bulk commodities like iron ore and oil.
3. To generate surpluses from commercial shipping services at a level which, over a period, is comparable to that of surpluses generated by the shipping industry of other countries employed in international trade.
4. To maximise earnings and savings of foreign exchange by increasing participation in national seaborne trade and in international cross trades.
5. To develop close relations in the field of shipping with the shipping interests of other countries, especially those of developing nations.
6. To provide such assistance to the public sector enterprises and to the Government of India in the field of shipping as may be required from time to time.
7. To operate non-commercial shipping services at the direction of the Government of India on behalf of the Government.

#### IV. *Micro objectives of SCI*

1. To develop a diversified fleet for the public sector shipping so that:
  - (i) it has a leading and predominant position in the Indian shipping industry.
  - (ii) it enables the Indian shipping industry to retain its position in the international shipping industry as one of the leading fleets from the developing world.
  - (iii) it is able to meet adequately the requirements of trade and of users of shipping services.
  - (iv) it acquires a significant market share in the transportation of general cargo and bulk cargoes of various types.
2. To provide its clientele efficient and economical shipping services.
3. To carry on profitable worldwide business in shipping so as to earn a reasonable return on the invested capital and generate adequate internal resources for investment.
4. To keep modernising and diversifying the fleet of the Company geared to the changing needs of the trade and users of shipping services with emphasis on containerisation.
5. To maximise contribution to the country's balance of payment through saving and earning foreign exchange.
6. To develop capabilities and to sustain perpetually sound technical and technological knowledge through proper training of personnel and by giving them suitable exposure.
7. To build up a progressive and resilient organisation by reviewing from time to time the organizational structure which should provide for well-defined objectives and responsibilities and create a suitable



environment which is conducive to the realisation of the Company's objectives.

To develop ship management expertise which can be offered to other organisations for mutual benefit.

9. To undertake techno-economic feasibility studies for various shipping operations and shipping-related activities.
10. To enter into technological collaborations and joint ventures in shipping and shipping-related areas keeping in view the long-term interest of the Company.
11. To develop long term plans to provide adequate growth of the activities of the Company.
12. To operate services on behalf of the government for socio-economic reasons as may be directed by the Government in the overall national interest.
13. To provide necessary back-up and supplemental services to the effort of the Indian navy in national emergencies and in special situations thereby meeting the country's defence needs.
14. To perform such other functions as the Board of Directors of the Company may consider necessary, incidental or conducive to the achievement of the objectives of the Company.
15. To motivate employees towards higher productivity through fair wages, sound incentives and appropriate welfare schemes and good industrial relations.
16. To encourage members of SC/ST by giving them preference in employment in the Company and maintain the percentage of SC and ST employees as per guidelines issued by the Govt.
17. To develop among the employees consciousness of the environment, active pollution control measures as necessary and monitor them.
18. To reinforce the Government's efforts towards promotion of social justice to the people at large by formulating corporate policies of employment, welfare, workers participation consistent with Govt's policies.
19. To constantly endeavour to conserve energy in respect of Company's operations.

GOVERNMENT OF INDIA  
 MINISTRY OF SURFACE TRANSPORT  
 (O & M SECTION)

No. I-26/8/88-O. & M.

New Delhi, the 20th April, 1988

**SUBJECT:** *Proper maintenance to files and other relevant records in Sections/ Desks/ Units.*

At the time of examination of a Public Sector Undertaking by the Committee on Public Undertakings, it has been observed that some important files were not traceable in the Ministry. It also came to light that on some files no action appeared to have been taken for the last 2 or 3 years though instructions were issued and reports were awaited from the undertaking, no follow-up action was taken. In order to avoid such embarrassing situations in future, Secretary (SFT) directed that following instructions should be strictly followed:—

- (i) It has been stressed time and again that a number of pending cases were not getting reflected in the monthly statement of pending cases. In this connection detailed instructions have been issued recently *vide* No. C-14019/1/87-Estt. dated the 19th February, 1988. The Sections Incharge/Desk Officers are advised to ensure that all cases pending for more than one month are invariably entered in the statement of pending cases and no current file is left without action for more than one month at a stretch. The monthly statement of cases pending disposal for over a month should invariably be submitted to the Under Secretary/Deputy Secretary/Director concerned by 7th of each month for review. O&M Section and IWSU should conduct random and surprise checks in this regard.
- (ii) In accordance with the procedure laid down in the Manual of Office Procedure, the recorded files can be obtained from Departmental Record Room on a requisition which should be signed by the Section Incharge/Desk Officer and when the file is no longer required in the Section it should be returned to Record Room and requisition received back. The Record Room Incharge, keeps a record of such files on a separate register and when the file is received back in Record Room the entry in the register is struck off. Similar register is to be maintained by each Section for the files borrowed from it by other sections. It has been observed that the Sections/Desks normally do not observe the procedure in returning the files to Record Room with the result the files taken from Record Room are misplaced in the section itself or go astray in transit. The procedure laid down in the Manual may, therefore, be observed strictly. It has also been laid down in the Manual of Office Procedure that files obtained from the Departmental Record Room will normally be returned within 3 months. The Record Room Incharge should send reminder in respect of more than three months old files on the fifth of the month, the first reminder being sent on 5.4.88.

(iii) All Sections are concerned with the following types of records:—

(a) *Recorded files:*

All recorded files which are more than 3 years old are required to be transferred to the Departmental Record Room and can only be obtained for reference purpose on the production of a requisition. The custody of these files is mainly the concern of the Record Room. The procedure for obtaining and returning of this record has already been indicated above.

(b) *Semi-Current Records:*

All files less than 3 years old, whether recorded or current are required to be kept by the Sections concerned. In the case of recorded files, less than 3 years old, which are lying in the section, their movement is indicated in the File Register/File Movement Register. If such files are linked with some current cases, a slip is required to be placed at appropriate place in the bundles of such recorded files. Their whereabouts can therefore be traced from the slips which give details of the cases with which the files have been linked.

(c) *Current Records:*

These files are such on which action has not been completed. Such files may even be more than 3 years old. To ensure that such files are not lost sight of, the Manual of Office Procedure provides (para 96) that the Diarist will maintain a reminder diary in which he will enter, datewise, all cases marked for suspense or reminder and required to be brought forward on specified dates. Challans of files referred to other sections/departments will also be similarly entered. The diarist will scrutinise this diary every morning and get hold of files/challans marked for that date and send such files and challans to the dealing hand concerned for taking necessary action.

There may be cases which have reached a stage when no action can or may be taken to expedite their disposal for atleast six months. These are required to be transferred to the Call Book (para 94 of the Manual). The Section Officer is required to scrutinise the Call Book in the last week of every month to see that the cases which become ripe for further action during the following months are brought forward and action initiated on due dates.

The procedure to be followed relating to movement of files and other papers has been given in para 73 of the Manual of Office Procedure. It provides that all movements of files should be entered in the File Movement Register. When current files are linked with other cases, the movement of linked files are also to be recorded in the File Movement Register. It provides that no current files will be issued to any section except against written requisition and after making its movement in the File Movement Register. The files and other papers marked by the Under Secretary to other Officers, Sections or Departments are required to be routed through

the section for noting their movement. When the files are handed over personally by the Under Secretary to other officers he should inform the Section Officer accordingly who will ensure that movement of such files is marked in the File Movement Register.

As regards movement of papers/files beyond Under Secretary and above, it has been provided that the personal staff of such officers will maintain the movement of papers received by their officers in the respective personal section diary. Movement of any files handed over personally to a higher officer or to the Minister will similarly be noted by the personal staff. Papers/files marked by them to other departments, however, will be routed through the section concerned for noting their movement in the File Movement Register or Section Diary as appropriate.

2. The Manual places the primary responsibility for expediting disposal of work and timely submission of arrear and disposal statements on the Section Officers/Desks officers (para 100). To this end he is required to inspect the Section Diary and Assistant's Diaries and take such other action as may be necessary to ensure that no paper or file has been overlooked and that no receipt or case actually pending with the dealing hand has been excluded from the relevant arrear statement. The Branch Officers are also required to keep a close watch on the progress of work in the Sections/Desks under their control.

3. All Wing Heads are requested to bring the instructions to the notice of the officers and sections under their control and also to monitor the implementation of those instructions through periodical meetings convened by them. It should be made clear to all concerned that loss of files and failure to take action on pending files will be viewed seriously.

Sd. / —

(R.L. CHAUDHRY)  
Deputy Secretary

To

- (1) All Wing Heads.
- (2) Directors/Deputy Secretaries/Under Secretaries/Desk Officers/Section Officers.
- (3) PS to Secretary (SFT).

**Recommendation Serial No. 2, Paragraph No. 1.20**

The Committee also find that SCI do not have at present any system of preparing Corporate Plan. They prepare only 5 years Tonnage Acquisition Plans, which indicate the acquisition of additional ships and their financing. These do not bring out the profitability aspect of the additional investment, long-term projections of overall profitability, deployment of tonnage, capacity utilisation and long-term measures for maximisation of earnings etc. In this connection, the Secretary of the Ministry of Surface Transport also informed the Committee during his oral evidence that in

pursuance of BPE's instructions issued in 1974 every organisation has to prepare a Corporate Plan. He admitted that it was a lapse on the part of the Ministry and the Shipping Corporation of India that they had not been able to do it so far. He also informed the Committee during evidence that they had given the Corporation 6 months to prepare the Corporate Plan and they would see that this was adhered to. The Committee hope that with a view to providing a more definite basis to the Corporation for planning its activities, the Corporate Plan would be framed and get approved by Government within the time-frame indicated by the Secretary of the Ministry.

### Reply of the Government

The Government has approved the Corporate Plan of Shipping Corporation of India Ltd. vide letter No. SS/11836/26/88-SY. II dated 26-12-88. (Copy of the Ministry's letter No.SS/11836/26/88-SY. II dated 26-12-88 is reproduced below).

[Ministry of Surface Transport O.M.No.H-11813/1/88-SY. II Dated 2.6.89.]

GOVERNMENT OF INDIA  
MINISTRY OF SURFACE TRANSPORT  
(SHIPPING WING)

No. SS/11036/26/88-SY-II                      New Delhi, The 26th December, 1988.

To

**The Chairman & Managing Director,  
Shipping Corporation of India Ltd.,  
245, Madam Cama Road,  
Bombay-400 021.**

**SUBJECT: Corporate Plan of Shipping Corporation of India Ltd.**

Sir,

I, am directed to refer to your letter No. ACO/8(A)/172/88 dated 29-8-88 and letter No.P&M/80/48/88 dated 14-12-88 on the above mentioned subject and to convey the approval of the President of India to the Corporate Plan of Shipping Corporation of India Ltd. forwarded vide your letter No.P&M/80/48/88 dated 14-12-88. However, this approval will not imply the approval of Government to the specific proposals indicated in the Corporate Plan nor the financial commitments indicated therein. SCI will have to approach the Government for appropriate Plan and budget provisions in Five Year Plans/Annual Plans and also for the investment decisions on individual proposals as per the normal procedure.

2. It is also requested that the Corporate Plan may be reviewed every 6 months and the position after first review be intimated to the Ministry by 15-7-89.

Yours faithfully,

Sd. / —

(G.K. PILLAI)  
DIRECTOR(S)

**Recommendation Serial No. 4 Para Nos. 2.69 to 2.71**

The Committee have found that during 1973-74 to 1984-85 SCI acquired only 8 Indian vessels as against 90 foreign vessels. Further as on 30-1-1985 there were 17 vessels on orders with foreign shipyards and only one order on Hindustan Shipyard. Thus a huge amount of foreign exchange was spent for the purchase of vessels from foreign countries.

Explaining the reason for placing only a few orders by SCI on Indian Shipyards during 1973-74 to 1984-85, the Ministry have informed the Committee that the capacity of the Indian Shipyards was very much limited and it got further reduced due to poor productivity and inordinately longer time taken by them to build a ship. Relatively higher prices of their ships *vis-a-vis* the low international price paid by a shipper was another reason. However, the CMD of Cochin Shipyard Ltd. during his oral evidence before the Committee informed the Committee that 'Previously we were taking a longer time.....Now we will be delivering one ship every 9 months as against 6 months in Japan'. He further stated that in 1984 Shipyard had lot of orders and because of world recession SCI cancelled orders for 3 ships being built in *pari-passu* obligation. CSL has now got Japanese consultants and is taking steps to improve the method of ship construction. In this connection, the CMD of Hindustan Shipyard also asserted that if they work on 5 year perspective plan of placement of orders then there will be no difficulty for HSL to build a ship on time.

The Committee are not happy over the plea taken by SCI for placing orders for acquisition of ships from foreign shipyards especially when Indian Shipyards are reported to be starving for orders. Needless to say that when we place orders on foreign shipyards we are indirectly helping the foreign Shipbuilding Industry at the cost of our own shipyards. Therefore, the Committee suggest that the orders for acquisition of ships should be placed on foreign shipyards only in very exceptional circumstances to conserve scarce foreign exchange of the country as far as possible. If, there is any difficulty to get the ships manufactured by Indian Shipyards that could be sorted out by Government as both SCI and Shipyards are under the administrative control of the Ministry of Surface Transport. The Committee also suggest that to assist the Indian Shipyards who are heavily losing because of stoppage of shipbuilding activities, Government should draw up a need based integrated ship acquisition programme well in advance so that enough time could be given to Indian Shipyards to meet the requirement of Shipping Industry. The Government should fully ensure that orders are placed on shipyards to enable them to

continue their cycle of production. The Committee also desire that even if Indian built ships are a bit costly and Indian Shipyards take a little more time, Government should ensure that as a matter of policy all future orders for acquisition of ships are placed on indigenous shipyards, subject to availability of funds and their order book position.

### Reply of Government

The Government has set up a committee under the Chairmanship of Secretary (SFT) to review and suggest long term measures for ensuring adequate orders on Indian Shipyards. This Committee will *inter-alia* look into drawing up of need based integrated ship acquisition programme from the Indian Shipyards.

The Government have also rationalised the *pari-passu* obligations of the Indian shipping companies vide their letter No. SW/MSD-8/81-MD, dated 4-8-88.

With the above measure, it is expected that the Indian Shipyards will not be starved of orders in the future.

It may also be stated that as on 1-12-88, Cochin Shipyard Ltd. has orders for 3 Nos. 86,000 DWT tankers from SCI and SCI has proposals to build 3 more such tankers for which orders are likely to be placed on Cochin Shipyard Ltd. HSL has at present orders placed by the SCI for two Nos. 42,750 DWT bulk carriers, besides orders for 4 Offshore Patrol Vessels for the Navy, 6 barges for the Central Inland Water Transport Corporation and 7 platforms for the ONGC.

[Ministry of Surface Transport O.M. No. H-11013/1/88-SY.II Dated 2.6.89]

### Recommendation Serial No. 5 Para Nos. 2.72 & 2.73

The Committee note that the time spent in processing the ship acquisition proposals and for obtaining government approval thereto has been inordinately long. In the case of purchase of two MR Tankers from Japan, the delay involved was of the order of almost 3 years. The proposal was mooted in July, 1977, the Board's approval was given in December, 1978 and the proposal was finally approved by Government in July, 1980. This delay resulted in additional expenditure of Rs. 736 lakhs. In another case of purchase of L.R. Tankers while the outline specifications were given in August, 1981, the proposal was approved by SCI Board in November, 1982 and by Government in May, 1983. In this connection, the Committee are informed that SCI streamlined its internal procedure for ship acquisition in early 1987. This envisages a time frame of 30 weeks beginning with insertion of advertisement for purchase of ships and ending with the submission of Project Report. In this connection, the Ministry also informed the Committee during evidence that the procedure for sanctioning ship acquisition proposals of SCI had recently been studied and

certain suggestions in this regard are under consideration of Government. The Committee do feel that certain amount of time lag in finally sanctioning the Ship Acquisition Proposals by Government is in-built in the system because of approvals needed at various levels. But there appears to be no justification for long delay of three years as happened in the above cited cases. Needless to say that the delay and long procedures involved in clearance of proposals have proved major hurdles in the acquisition of vessels resulting in the slippage in acquisition of additional tonnage both at public and private sectors despite the recession in the world shipping market.

While taking a serious view of the long delay involved in clearing the Ship Acquisition Proposals, the Committee urge that the Government should take an early decision with regard to streamlining the procedure which is stated to be under consideration at present and cut down the delay to the barest minimum.

#### **Reply of the Government**

Government have been periodically reviewing the procedure and the manner in which the ship acquisition proposals of SCI are being processed for Government approval. Government are very keen to see that the acquisition proposals of SCI are approved at the earliest. There is, however, likely to be certain amount of delay as the investment decision has to be processed in the Ministry and thereafter submitted to the Public Investment Board for approval. It is only after the Public Investment Board has cleared the proposal from the investment angle, that the Ministry can approach the Cabinet Committee on Economic Affairs for final approval to the proposal.

In the case of acquisitions which are below a total cost of Rs. 20 crores, Ministry of Finance have since delegated powers in June, 1988 to the Administrative Ministry itself to take the investment decision after following the procedure laid down by the Expenditure Finance Committee.

2. As recommended by COPU, detailed discussions have been held with Shipping Corporation of India to evolve a revised and compressed time schedule for processing the ship acquisition proposal of Shipping Corporation of India.

3. As per the revised procedure, a two track approach has been agreed upon. SCI would first send their proposal based on indicative prices etc. for the acquisition, on the basis of which the investment decision would be processed within a period of 18 weeks and thereafter within a period of 8 weeks of obtaining a firm price, the decision of the Govt. would be communicated to the SCI.

This procedure would be followed in all cases except where serious technical and financial questions need to be sorted out or because of



balance of payment difficulties. Suitable sources of aid may have to be located separately.

[Ministry of Surface Transport O.M. No. H-11013/1/88-SY. II. dated 2.6.89].

**Recommendation Serial No. 6, Para Nos. 2.74 to 2.77**

The Committee have observed that in February, 1977 Government had issued guidelines imposing a *pari passu* obligation on Indian Shipping companies purchasing vessels from abroad to place orders on indigenous shipyards. The *pari-passu* obligation stipulates *inter alia* that if the Indian Shipping Company purchases a new ship from abroad it must place order for equivalent tonnage on Indian Shipyard or in the case of second hand ship to the extent of the value of the ship acquired from abroad. However, this provision does not apply to specialised vessels or vessels of higher DWT than 75,000 DWT. The Ship-owners are also required to place an order on the Indian Shipyard within 6 months from the date of delivery of the purchased foreign vessel. In so far as off-shore supply vessels are concerned, the application of *pari-passu* obligation will be in the ratio of 1:4 i.e. one ship to be built in Indian Shipyard against acquisition of 4 ships from abroad.

Not surprisingly, neither the Director General of Shipping, who is responsible for administering the guidelines nor the Shipping Development Funds Committee which has been given the role on advising the Government on the proposal for acquisition of vessels from abroad has ensured the implementation of *pari-passu* obligation. As a result, the present outstanding *pari-passu* obligation in favour of Indian Shipyards is of the order of 21.70 lakhs DWT (10.56 lakhs on account of SCI and the balance on account of other Shipping Companies). This large un-met obligation has, therefore, led to a situation where indigenous shipyards have been starved of orders and have in turn incurred heavy losses. According to Ministry, the main reasons for the huge backlog of *pari-passu* obligation was the steep fall in international prices of ships due to global recession in shipping industry, enabling the country to exploit the purchase of ships from abroad.

In this connection, the CMD of SCI also stated in evidence that "*pari-passu*" obligation can be met only if the shipyards are in a position to build ships....*pari-passu* obligation is rather un-realistic as it is not related to indigenous ship-building capacity. To supplement this, the Ministry also stated before the Committee that the *pari-passu* obligation in the ratio of 1:1 does not appear to be commensurate with actual ship building capacity of Indian Shipyards.

While the Committee are inclined to agree that in view of the existing ship-building capacity of national shipyards it may not be

possible to fulfil the obligation in the ratio of 1:1, the Committee cannot but stress that the Government must ensure that at least an order which can be executed within the country is not placed outside.

### Reply of the Government

The following steps have been initiated to ensure adequate flow of orders on Indian shipyards for utilisation of their capacity:

1. Revised *pari-passu* obligation stipulates that a shipping company having *pari-passu* obligation will have to clear the same by placing order on Indian shipyards before any fresh case for import could be considered for the same company.
2. To encourage the Indian shipping companies to place orders on Indian shipyards, Govt. has further decided that a shipping company will be allowed to place orders on Indian shipyards beyond the assessed tonnage requirement in a particular period.
3. Govt. have also set-up a Committee under the Chairmanship of Secretary (SFT) to review and suggest long-term measures for ensuring adequate orders on Indian shipyards.

With the above measures, it is expected that the Indian shipyards will not be starved of orders in future.

[Ministry of Surface Transport O.M. No.H-11013/1/88-SY II dated 2.6.89]

### Comments of the Committee

[Please see para 12 of Chapter I of the Report]

### Recommendation Serial No. 7, Para No. 2.78

As regards shipbuilding capacity of Indian Shipyards, the Chairman of Cochin Shipyard Ltd. during his evidence before the Committee stated that Cochin Shipyard was designed to built ships of the size of 75,000 DWT and at present it was executing an order placed by SCI for the construction of 3 tankers of 86,000 DWT each. He also stated that SCI has informed CSL that in future they would need big ships of 1,20,000 DWT. He, therefore, stated that it would not be possible for Indian Shipyards to build big ships of this magnitude. He also stated that tanker of 86,000 DWT under construction at present with CSL, has been specifically designed at the instance of SCI and after completion of the present order CSL will not be able to receive any other order from SCI as vessels of higher DWT than 75,000 DWT are outside the purview of *pari-passu* obligation. The Committee feel that in view of the huge losses suffered by Indian Shipyards and to stop the outgo of foreign exchange, the Government should advice SCI to avoid purchasing of big vessels of higher DWT from foreign shipyards especially when vessels of 86,000 DWT are reportedly suited to meet its requirement

and can now be built by CSL. The Committee would also like the Government to fully ensure that SCI is not allowed to go in for 1,20,000 DWT vessels to circumvent *pari-passu* obligation as apprehended by Indian Shipyards. The committee recommend that the Government should consider the feasibility of having some institutional arrangement in the form of a Standing Body which should thoroughly examine proposals for ship acquisition and satisfy itself whether the ships acquisition orders to be placed abroad cannot be executed by indigenous shipyards within a reasonable time. This arrangement, to a great extent, will act as deterrent and will indirectly force the Shipping Companies to place orders with Indian Shipyards and will also help in discharging the *pari-passu* obligation.

#### **Reply of Government**

The size of a particular type of ship is determined by the trade pattern and economic considerations. Considering the overall size of the fleet of SCI, the number of ships of larger size are only few, and as such the question of SCI resorting to purchase of larger size vessels to circumvent the *pari passu* obligation of Indian Shipyards does not arise. As a matter of fact, SCI has proposed further acquisition of 2/3 similar tankers (86,000 DWT) from CSL, which is under consideration of the Government.

The Government has also accepted the recommendation of the Committee regarding setting up of a Standing Committee to review and suggest long term measures for ensuring adequate orders on the Indian Shipyards. Government has accordingly constituted a Committee under the Chairmanship of Secretary (SFT) to review and suggest long-term measures for ensuring adequate orders on Indian shipyards. A copy of the Ministry's OM No. H-11013/1/88-SY. II, dated 16.9.1988 constituting the Committee is reproduced below.

[Ministry of Surface Transport O.M. No. H-11013/1/88-SY. dated 2.6.89].

#### **Comments of the Committee**

[Please see para 15 of Chapter I of the Report]

GOVERNMENT OF INDIA  
MINISTRY OF SURFACE TRANSPORT  
(SHIPPING WING)

No. H-11013/1/88-SY. II.

New Delhi, the 16th Sept., 1988

#### OFFICE MEMORANDUM

**SUBJECT** Constitution of a Standing Committee to review and suggest long term measures for ensuring, adequate orders on the Indian Shipyards.

The undersigned is directed to say that it has been decided by the Government to constitute a Standing Committee to review and suggest

long term measures for ensuring adequate orders on the Indian Shipyards with the following composition:

- |  |            |
|--|------------|
| (i) Secretary, Ministry of Surface Transport                             | — Chairman |
| (ii) Director General of Shipping  | — Member   |
| (iii) A representative of Ministry of Petroleum                          | — Member   |
| (iv) Representative of Ministry of Defence (Naval Wing)                  | — Member   |
| (v) Representative of INSA   | — Member   |
| (vi) Chairman & Managing Director,<br>Shipping Corporation of India Ltd. | — Member   |
| (vii) Chairman & Managing Director,<br>Hindustan Shipyard Ltd.           | — Member   |
| (viii) Chairman & Managing Director,<br>Cochin Shipyard Ltd.             | — Member   |
| (ix) Joint Secretary (Shipping)  | — Member   |
| (x) Development Advisor (Ship Building & Repairs)                        | — Convenor |

The Committee will meet once in six months to review the position of orders of Indian Shipyards.

Sd/ —  
(G.K. PILLAI)  
Director(S)

To

- (i) Shri Praveen Singh,  
Director General (Shipping),  
Jahaz Bhavan, Walchand Hirachand Marg,  
Bombay-400 001.
- (ii) Secretary,  
Ministry of Petroleum,  
Shastri Bhavan,  
New Delhi.
- (iii) Secretary,  
Ministry of Defence,  
South Block,  
New Delhi.
- (iv) Indian National Shipowners  
Association Bombay.

They are  
requested to  
nominate an  
officer on  
the Standing  
Committee.

- (v) Shri L.M.S. Rajwar,  
Chairman & Managing Director,  
Shipping Corporation of India Ltd.,  
245, Madame Cama Road,  
Bombay-400021.
- (vi) Rear Admiral S.C. Bindra,  
Chairman & Managing Director,  
Hindustan Shipyard Ltd.
- (vii) Rear Admiral G.T. Wadwani,  
Chairman & Managing Director,  
Cochin Shipyard Ltd.
- (viii) Shri P.V. Rao, Joint Secretary (Shipping)
- (ix) Shri A.B. Takur, Development Adviser (SBR)

Copy to .

- (i) PS to Secretary
- (ii) DS (SY)
- (iii) AO (MD)

Sd / -  
(G.K. PILLAI)  
Director(S)

#### Recommendation Serial No. 8, Para No. 2.79

The Committee are informed that in order to sort out the problems faced by Indian shipowners and also by the Indian shipyards with regard to implementation of existing *pari-passu* obligation, the Government is reported to have reviewed the existing *pari-passu* policy. The review has revealed that *pari-passu* in the ratio of 1:1 is un-realistic and should be changed into 1:2. It has also been suggested that *pari-passu* obligation accruing earlier to 1.1.1984 should be waived. As a result of this review, restructuring of the *pari-passu* obligation is reported to be under consideration of the Government. The Committee recommend that Government should take an early decision with regard to restructuring the *pari-passu* policy on a realistic basis so that it could be effectively implemented.

#### Reply of the Government

Government has since issued the revised *pari-passu* guidelines vide OM NO. SW/MSD/8/81—MD, dated 4.8.88. A copy of the same is reproduced below.

#### Audit's Observations

The implementation and its implication will be examined in audit in due course.

[Ministry of Surface Transport OM NO. H.11013/1/88—SY—II, dated 2.6.89]

GOVERNMENT OF INDIA  
MINISTRY OF SURFACE TRANSPORT  
(SHIPPING WING)

NO. SW/MSD-8/81—MD

New Delhi, the 4th August, 1988.

To

Director General of Shipping,  
'Jahaz Bhawan'  
Walchand Hirachand Marg,  
BOMBAY.

**SUBJECT:—** *Pari-Passu orders on Public Sector Shipyards by Indian Shipping Companies.*

Sir,

The Government have been receiving representations both from Indian Shipping companies as well as shipyards against the implementation of the existing *pari-passu* obligations. In the light of the representations received as also the fact that the existing *pari-passu* obligations amount to over 21.28 lakh DWT and keeping in view the necessity of having competitive shipping industry, Govt. have reviewed the existing guidelines on *pari-passu* obligations and have decided that the outstanding *Pari-passu* obligations should be scaled down on pro-rata basis, so that the obligations of private sector shipping companies and SCI put together are about 5.00 lakh DWT. The scaling down would be worked out by DG Shipping keeping in mind the following principles:—

- (i) those companies which have already been wound-up their *pari-passu* obligations should be deleted;
- (ii) *Pari-passu* obligations against sick companies should be excluded; and
- (iii) the implications of 1977 guidelines about own funds utilised for acquisition of a ship should be examined to work out the aggregate outstanding *Pari-passu* obligations against the shipping companies.

2. Accordingly, in supersession of this Ministry's letters No. SW/MPS-65/74—MD dated 23.2.77, 10.5.77 and 7.7.77 on the subject mentioned above, Government are please to issue the revised guidelines annexed to this letter. The revised guidelines may please be circulated to all the shipping companies.

Yours faithfully,  
sd/-  
(G.K. PILLAI)  
Director (Shipping)

Copy to:—

1. Development Adviser (SBR), SBR Division, Ministry of Surface Transport, New Delhi.
2. Shri N. Ravi, Director, Ministry of Finance, Deptt. of Economic Affairs, New Delhi.
3. Shri S.K. Purkayastha, Director, Ministry of Finance. Deptt. of Economic Affairs, (Banking Division), New Delhi.
4. Shipping Credit & Investment Company of India, Nirlon House, 254-B, Dr. Annie Besant Road, Bombay-400025 .
5. President, INSA, Bombay.

Sd-/  
(G.K.PILLAI)  
Director (Shipping)  
Annexure

#### Revised Guidelines

- (i) An Indian Shipping Company purchasing new ships (bulk carrier/ support vessel/tanker/passenger vessel/break-bulk liner, etc.) abroad will be required to place order for ship building at an Indian-shipyard.  
This provision would also apply to specialised vessels.
- (ii) *Pari-passu* obligations in case of new acquisitions will continue to be in DWT. The obligation will however, be not less than one vessel for every three vessels purchased abroad. *Pari-passu* obligation in respect of second hand acquisition will continue to be in terms of value and to the extent of price paid for second hand vessels.
- (iii) The *Pari-passu* obligation would arise only after the shipping companies tonnage exceeded 50,000 DWT.
- (iv) The stipulation regarding the limit of 5 years of operation of a company is done away with.
- (v) The orders for meeting *pari-passu* obligations must be placed, before the company comes up for a proposal for further acquisition.
- (vi) Clauses pertaining to liquidated damages, performance guarantee, non-fulfilment of contract delays in delivery etc. which are normally found in the contracts executed with foreign shipyards would also be incorporated in the contracts with the Indian shipyards.

- (vii) The price of the ship ordered on Indian shipyards would be governed by the policy formulated by the Government. This price should be a fixed price subject to escalation upto a ceiling of 7% and should be determined before an order is placed. The delivery of the vessel from the Indian shipyards should take place not later than 36 months from the date of firm issue. The present system of determining international parity price would continue.
- (viii) Government would also provide exemptions from the *pari-passu* obligation, if basic conditions such as price, delivery period etc. are satisfied.

**Recommendation Serial No. 9, Para No. 2.80 to 2.83**

A review of the ships acquired by SCI between 1973 and 1984 has revealed that in some cases cost escalation was allowed by SCI even though the contract was for a firm price. There were also technical defects in the vessels purchased from G.D.R., Romania and Yugoslavia, like cranes not lifting the designed weight, vessels suffering from operational problems and consuming excessive fuel or being structurally defective. Out of 90 ships purchased from abroad during 1973-74 to 1984-85, price escalation was allowed by SCI in as many as 16 ships i.e. 4 each from Romania and GDR and 8 from Yugoslavia. In this connection, SCI had also admitted in their written reply that:

“4 OBOs ordered from Yugoslavia developed structural defects and also had operational problems. Defects and problems were particularly severe with first two ships. Six Indik class cargo vessels and two VLCCs ordered with GDR and Yugoslavia respectively had problems with generators. Four Romanian ships had some problems with their cranes. Apart from these major problems there were also minor deficiencies in cargo gear and auxiliary machineries of some other ships acquired from East European Countries.”

As regards enhancement of the price of ships contracted for fixed price, even the company had admitted that shipyards had no right to ask for high price but they did ask and the matter was then considered at various levels in the Ministry of Shipping, Finance and Department of Economic Affairs and in over-all interest though it was not good, it was finally decided to pay higher price and get the ships. With regard to unsatisfactory performance of 8 cranes fitted in 4 bulk carriers purchased from Romanian Shipyard, CMD of SCI also admitted in evidence that “obviously something was wrong in cranes which was not detected at the time of inspection..... Within the short time the cranes were not able to lift the rated load.”

Also in the case of 6 cargo vessels purchased from G.D.R. at a fixed price of Rs. 412.5 lakhs each, the shipyard demanded payment to the



extent of Rs. 717.5 lakhs each for first 3 vessels and Rs. 781.5 lakhs each for the remaining 3 vessels on account of increase in cost. The price of the 4 ships yet to be delivered was then agreed by SCI at Rs. 501.19 lakhs per vessel involving an additional payment of Rs. 354.76 lakhs. Generator Engines fixed on the vessels encountered major break-downs and these generators had to be ultimately replaced at a cost of Rs. 2.28 crores. Even after incurring so much expenditure the vessels are reported to be suffering from major operational problems in respect of stability and high fuel consumption. However, no reference was made by the Company to the Ministry for their intervention and guidance in respect of these defective vessels purchased from G.D.R. as admitted by the Ministry in their written reply.

The Committee are not satisfied with the explanation given by the representatives of SCI in their oral evidence and also in the written information furnished before the Committee with regard to purchase of defective vessels from Romanian, G.D.R. and Yugoslavian Shipyards. At this stage the Committee can only express their unhappiness over these deals. However, the Committee are of the view that had the SCI ensured thorough inspection of these vessels by their officers before taking delivery, the Company would have been saved from incurring heavy expenditure on getting the defects rectified. The Committee recommend that the inspection procedures and the programme evaluation of the ships during warranty period should be thoroughly overhauled and streamlined to detect and pin-point deficiencies and defects at the time of take over or immediately thereafter.

#### **Reply of the Government**

Recommendations of the Committee have been accepted. The Shipping Corporation of India Ltd. has a well established procedure for inspection of ships during construction and for their performance evaluation during the warranty period. Over the years, there has been a continuous upgrading of procedures based upon experience gained from the Shipyards the world over. Briefly the procedure presently being followed for new constructions is as follows:—

- (a) After the contract has been signed with the selected shipyard, SCI's technical team co-ordinates with the builder's design department in the finalisation and approval of all hull and machinery plans. These are also separately submitted for approval to the Classification Society and where necessary to the national statutory authorities.
- (b) When construction commences, the SCI deputs a team of Engineers and Naval Architects who supervise all aspects of construction. This work is carried out together with classification society surveyors.

- (c) SCI's engineers witness the shop tests of all major machinery items and fabrication of blocks before erection.
- (d) When the vessel is nearing completion, a procedure for dock trials is drawn up with the shipyard and all equipment and systems which can be tried out at the Quay side are thoroughly checked. Around this time the Senior Afloat Officer who would be taking over the ship are posted to the shipyard both to familiarise themselves with the equipment and systems and also to assist the SCI inspection team in carrying out intensive trials.
- (e) When the vessel is complete an inclining experiment is carried out to determine the light ship weight and stability of the ship.
- (f) SCI draws up with the shipyard a Sea Trial Code based generally upon the procedure recommended by one or several of the following:—
  - (i) British Ship Research Association
  - (ii) Society of Naval Architects & Marine Engineers
  - (iii) Ship Research Institute of Norway.

The sea trials establish that the vessel performs at sea according to the designed parametres with regard to speed, fuel consumption, rate of cargo discharge where applicable and that its manoeuvring and sea keeping characteristics are satisfactory. Hull vibrations and noise levels are checked at all speeds and trial conditions to sure that they are within the acceptable limit.

- (g) All communication equipment, Navigational aids, life saving and fire fighting appliances are also tried out during the sea trial together with the National Maritime Authority Surveyors.
- (h) All defects noted by the SCI inspectors are brought to the attention of the Shipyard and their rectification is followed through, if necessary in consultation with Classification Society Surveyors. After completion of sea trial, some items of principal machinery are also opened up for inspection. The classification society and statutory authorities carry out their inspections concurrently with SCI inspectors and they issue the necessary certificates of class and safety.
- (i) Prior to delivery, it is ensured that all pending predelivery defects are rectified or suitably covered in an Addendum for subsequent rectification on builders account. The vessel usually sails out from the builder's yard with a guarantee engineer who may be retained at builder's option upto the limit of full guarantee period of one year. The ship building contract covers rectification of defects on the vessel noticed during the guarantee period of builders account which can be attributed to faulty design, bad material or bad workmanship.

As directed by the COPU, SCI would constantly upgrade its inspection procedure and programme evaluation of ships during warranty period.

[Ministry of Surface Transport O.M. No. H-11013/1/88-SY II dated 2.6.89]

**Recommendation Serial No. 10, Para Nos. 3.66 to 3.67**

The Committee note that in 1985, SCI had 158 ships and also took over 12 ships from Mogul Lines after its merger with SCI in June, 1986. In September, 1987, the fleet strength came down to 134. The maximum fall of 26 ships was in the case of Liner vessels. In this connection, SCI informed the Committee during evidence that as it was incurring losses year after year, its large number of fleet was proving to be a drag on the financial viability of the Company and as such they took a deliberate decision to review the entire fleet taking into account the techno-economic aspects of each ship, change in the trade environment etc. As a result, SCI decided to shed two million tonnage during 7th Plan by getting rid of ships which were relatively fuel inefficient. As a result, SCI scrapped / sold as many as 80 ships from 1981-82 to 1986-87 i.e. 20 ships in 6th Plan and 60 ships in 7th Plan. Out of 60 ships scrapped / sold between 1985-86 to 1987-88 (upto November, 1987) as many as 23 ships had not completed their normal life of 20 years and 9 ships were still having a balance life of 6 to 10 years.

The Committee are also informed that according to the procedure being followed at present for the disposal of ships, the proposal is first considered by the Board of Directors of the Company and then approval of the Ministry is sought thereto. Apart from the Ministry's approval, the Director General of Shipping is also involved in this process. Therefore, after clearance at various levels, the ship is disposed off. However, in view of very large number of ships disposed off during the last 4-5 years, the Committee have their own doubts that the present system of scrapping / disposal of ships is not fool-proof and leaves much scope for mal-practices and corruption. The Committee recommend that as the disposal/scrapping of ships involves crores of rupees and to obviate any scope for corruption etc., the Government should consider the feasibility of constituting a high powered committee to provide guidance and to resolve all problems connected with scrapping / disposal of ships. The recommendations of the so constituted committee should be considered at the highest level in the Government and only thereafter SCI should be allowed to scrap / dispose of any ship.

**Reply of the Government**

Permission to scrap for sale the ships of any Indian Shipping Company including SCI to an Indian party is given by the D.G. Shipping under the delegated statutory powers of Section 42.1 of the Merchant Shipping Act.

A shipping company (including SCI) is required to submit to the DG (S) an application requesting permission to scrap a ship. The request inter alia gives full details of the vessel, condition of the vessel and its equipment, earnings from the vessel during the previous 3 years, expenses incurred on the vessel during the previous 3 years including the expenses on repairs and maintenance and the loans and mortgages outstanding against the vessel. The Company is also required to give anticipated earnings of the vessel in the coming years as well as the anticipated expenditure including special service, dry docking and major repairs before the proposal is sent by SCI to DG., each case is considered by the Board of Directors of SCI on which the Ministry is adequately represented. The Board considers the projections of the earnings from the vessel, expenses to be incurred on operating the vessel including expenses on repairs, maintenance, special surveys, dry docking etc. & examines the viability of continuing to operate the vessel from techno-economic considerations.

2. The above information is considered by the DG (S) and if the vessel is found to be techno-economically unviable for further operations, permission to scrap the vessel is granted, subject to clearance of dues to SDFC / Govt. if any.

3. In cases where the powers of the Central Government under Section 42.1 have not been delegated to the DG (S) (namely, where the vessel is to be sold to a party outside India for scrapping) the shipping company approaches this Ministry, through DG (Shipping) for approval. In such cases, the approval is accorded by the Ministry on the basis of the technical advice given by the DG (Shipping).

4. In all cases where Govt. loans are outstanding on the ship proposes to be sold / scrapped, permission is granted after ensuring that these loans have been fully repaid or alternate security has been provided for the amount of loan outstanding on the ship.

5. The above policy is uniformly applicable to both the private sector and the public sector proposals.

6. However, considering the recommendation made by COPU, Government have decided to constitute a high powered Committee to lay down guidelines for SCI to follow in scrapping their ships. Government would however, not deem it necessary to approve each and every proposal of SCI for scrapping of their ships, provided such scrapping confirms to the guidelines of the high powered Committee, as finally approved by the government.

#### **Audit's Observations**

Government orders on appointment of High Powered Committee. to lay down the guidelines are not received so far.

**Reply of Government on Audit's Observations**

A copy of the Ministry's OM No. H-11013 / 1 / 88-SY-II, dated 13.2.1989 constituting the High Level Committee was forwarded to Audit on 8-5-1989. A copy of this OM is reproduced below.

[Ministry of Surface Transport OM No. H-11013 / 1 / 88-SY-II, dated 2.6.1989]

GOVERNMENT OF INDIA  
MINISTRY OF SURFACE TRANSPORT  
(SHIPPING WING)

No. H-11013/1/88-SY-II

New Delhi, the 13th February, 1989.

**OFFICE MEMORANDUM**

**SUBJECT :** *Constitution of a High level Committee to lay down guidelines for SCI to follow in scrapping of their ships.*

The undersigned is directed to say that in their 44th Report on Shipping Corporation of India Ltd. (1987-88), the Committee on Public Undertakings have recommended that the Government should consider the feasibility of constituting a high powered committee to provide guidance and to resolve all problems connected with scrapping/disposal of ships and that the recommendation of the so constituted committee should be considered at the highest level in the Government and only thereafter SCI should be allowed to scrap/dispose of any ship. This recommendation has been considered by the Government and it has been decided to constitute a high level committee which would lay down the guidelines for SCI to follow in scrapping of their ships.

2. The composition of the committee will be as follows:—

- (i) Shri Praveen Singh, Director General (Shipping)—*Chairman*
- (ii) Shri P.V. Rao, JS(S), Ministry of Surface Transport—*Member*
- (iii) Shri N.C. Chatterjee, FA, Ministry of Surface Transport—*Member*
- (iv) Shri N.C. Singhal, Managing Director, SCICI—*Member*
- (v) Shri L.M.S. Rajwar, CMD, SCI—*Member*

3. The Committee will examine in detail the procedure now followed by SCI for scrapping of their ships and will recommend detailed guidelines for the consideration of Govt. regarding the scrapping of their ships by SCI.

4. The Committee will submit its report within 3 months.

Sd/-  
(G.K. PILLAI)  
Director(s)

To

- (i) Shri Praveen Singh, DG(S)
- (ii) Shri P.V. Rao, JS(S)
- (iii) Shri N.C. Chatterjee, FA
- (iv) Shri N.C. Singhal, Managing Director, SCICI
- (v) Shri L.M.S. Rajwar, CMD, SCI

Copy forwarded to:

Chairman & Managing Director, Shipping Corporation of India Ltd.,  
245, Madame Cama Road, Bombay-400021 — With the request to render  
all information/assistance required by the Committee.

Sd/-  
(G.K. PILLAI)  
Director(s)

Copy forwarded for information:

- (i) Minister, SFT
- (ii) Deputy Minister, SFT
- (iii) Secretary, SFT.

Sd/-  
(G.K. PILLAI)  
Director(s)

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**Recommendation Serial No. 11, Para Nos. 3.68 to 3.71**

The Committee note that liner fleet of SCI at the time of its incorporation in 1961 consisted of 15 ships (1.06 lakhs GRT). The number of ships increased to 73 (7.62 lakhs GRT) as on 31.3.1989. However, in September, 1987 the fleet strength declined to 47 ships. As a result, the liner cargo tonnage now constitutes 17.4% of the total as against 76% at the time of its incorporation.

The operational results of the liner vessels have revealed that the losses suffered by liner services have tremendously increased from Rs. 370.21 lakhs in 1979-80 to Rs. 1653.00 lakhs in 1985-86. Some of the Liner Services like W.C. India/East Africa and ECI/East Africa (now combined), E.C.I./Australia and W.C.I./Australia (Amalgamated in October, 1987, India/USA/Atlantic) and India/USA (Pacific) have been continuous, running into heavy losses during the period 1981-82 to 1986-87. The losses in India/UK/USA (Combined), a New Service created by the company rose steeply from Rs. 233.27 lakhs in 1985-86 to an alarming figure of Rs. 1625.25 lakh in 1986-87.

According to SCI the main reasons for the losses are the breakdown of the conference system leading to more intensive and unhealthy competition resulting in fall in freight rates in several liner sectors. Furthermore, Indian ports are used as way ports by large foreign operators who fill up their ships on an incremental cost basis by dumping the shipper service at Indian ports. Whatever cargo they pick up at Indian ports is a bonus for them. On the other hand, SCI has to rely upon Indian ports to provide base cargo which is eroded on account of operation of large foreign operators.

The Committee have been informed that in order to bring down the losses SCI has restructured certain services like UK-Continent/USA Service, India/Australia Service and India/East Africa Service. In addition, the Company has entered into a chartered arrangement with Continental Line to cover cargo from certain Latin American Countries. The Committee desire that the operational results of all the services should be continuously monitored with a view to discontinue services which are commercially not viable and to promote only those services which have a chance of turning the corner. The Committee are of view that there is no point in operating a service which cannot be justified on commercial considerations.

#### **Reply of the Government**

The services operated by the Shipping Corporation of India Ltd. are continuously monitored by them with a view to either maximising profit or minimising the losses as the case may be. As a result of such exercise, SCI had closed down non-viable services which did not have the potential of earning profits. For example, the SCI had closed down the India/US-Pacific service and the India/West Africa service when it was felt that these services were losing heavily and there was no scope for reviving them in the immediate future. The recommendation of the Committee is being kept in view by the Shipping Corporation of India Ltd. and the services operated by them are being continuously monitored.

[Ministry of Surface Transport O.M.No. H-11013/1/88-SY-II, dated, 2-6-89]

#### **Recommendation Serial No. 13, Para Nos. 3.75 & 3.76**

The Committee have also noticed that as a result of cut throat competition from foreign shippers, capacity utilisation of liner service of SCI in outward direction has steadily fallen from 77% in 1978-79 to 49% in 1985-86. It increased marginally to 51.78% in 1984-85 and again slumped to 48% in 1985-86. According to the company, the capacity utilisation of the liner service has now improved to 58.62% in 1986-87 by taking steps like scrapping/sale of large general cargo liner vessels;

aggressive marketing strategy; emphasis on containerisation and close liaison with suppliers; agents and brokers.

The Committee are glad to note that to bring down the losses of liner service, SCI has taken steps like restructuring of certain routes including UK/USA Service, India/Australia Service, Indian East African Service and coverage of trade to certain Latin American countries. The Committee suggest that SCI/Government should also consider restructuring other remaining services and explore new areas of international trade to further improve the capacity utilisation of liner service on outward direction.

#### **Reply of the Government**

The recommendations of the Committee have been accepted. The SCI has been looking at various avenues for restructuring its services with a view to increasing capacity utilisation. The Australia services have been further restructured with effect from August, 1988 to improve capacity utilisation and minimise losses. This new service is also based on carrying substantial volume of cargo from countries in South East Asia to Australia. The SCI also continuously scans the environment and seeks opportunities for covering new areas.

[Ministry of Surface Transport O.M. No. H-11013/1/88-SY-II, dated 2.6.89.]

#### **Recommendation Serial No. 14, Para No. 3.77**

The Committee have also observed that the percentage of high freighted cargo carried by SCI was only to the extent of 35 to 45% and low freighted cargo carried by SCI was in the range of 55 to 65%. It is all due to unfair competition through which foreign vessels secure a large proportion of high freighted cargo. To protect the interest of Indian Shipping Industry in general and SCI in particular the Committee have already recommended in para 3.74 of this Report for providing compulsory cargo support to Indian vessels at Indian Ports by enactment of a legislation. Besides, the Committee would also suggest that SCI should adopt more vigorous and dynamic strategy to attract cargo by keeping an effective liaison with foreign brokers and other trading agents. This will go a long way in improving the capacity utilisation of its vessels.

#### **Reply of the Government**

As regards cargo support to Indian vessels, the position has been explained in the reply to the recommendation at S. No. 12 (para No. 3.74).

Shipping Corporation of India Ltd. has adopted an aggressive marketing strategy to increase its market shares. In addition to regular visits to shippers and their intermediaries viz. freight brokers and clearing and forwarding agents by its marketing officers, the SCI has also started a direct dialogue with the shippers of high freighted cargo at the points of origin of cargo so as to understand better the needs of the shippers. The



SCI has also appointed various agents abroad who, among other functions, also take care of marketing and booking cargoes for the SCI in their respective regions. Frequent meetings are held with these agents so that they are clearly aware of policy decisions adopted by the SCI with regard to cargo canvassing. Marketing is a continuous process and the Shipping Corporation of India Ltd. will continue to strive to compete for cargoes through effective marketing.

[Ministry of Surface Transport O.M. No. H-11013/1/88-SY-II, dated 2.6.89].

**Recommendation Serial No. 17, Para Nos. 3.83 and 3.84**

Article 37 of the Articles of Association of the Company stipulates that if any service operated by the company in pursuance of direction or instruction issued by the President of India, the company shall be reimbursed to the extent of the loss suffered for operation of that particular service provided the company has suffered an over-all loss during the relevant financial year in respect of the operation of its trade, route or service etc. In this connection, the Committee on Public Undertakings (1964-65) in its Third Report had also recommended that Commercial Organisations like SCI should not be asked by Government to undertake any activity on non-commercial basis except by issuing a directive under Articles of the Corporation.

As back as in 1971-72, the Committee on Public Undertakings had desired SCI to popularise services to Andaman & Lakshadweep as these Islands had great potential as tourist resorts and with the development of traffic there it would be possible for SCI to reduce losses in these sectors. The Committee are, however, distressed to find that there has been no appreciable increase in the number of passengers or the quantity of general cargo carried by SCI in these two sectors. In Andaman, the development of tourist traffic is also imported to have been hampered because of restrictions imposed by Andaman Administration on travelling by foreign tourists. As regards cargo movement, some of the Shipping Companies in the Private Sector are reported to be thriving at the cost of SCI as they carry only high freighted cargo leaving low freighted cargo for SCI. The Committee recommended that the Government in consultation with the Andaman Administration should take urgent steps to help SCI to get the maximum share of available cargo so that it does not suffer at the hands of private companies. The Committee also recommend that for this purpose fresh instructions should be issued to all Government agencies requiring them to offer their cargo only to SCI.

**Reply of the Government**

Regarding issue of directives under Article 37 of the Articles of Association of the Shipping Corporation of India Ltd., the position has been explained in the Action Taken Note on para 3.85 (Sl. No. 18) of the recommendations of COPU.

2. Regarding making available maximum share of available cargo to SCI's ships it may be pointed out that as per the instructions issued by the A & N Admn. from time to time, the shipment of Government cargo from mainland to A & N Islands and vice versa is to be made by vessels owned by A & N Admn. or SCI. This matter has been further considered by the Government in the light of the recommendations of the Committee on Public Undertakings and it has been decided that when the vessels of SCI/A & N Admn. are available, the preference for transportation of Government cargo from mainland to A & N Islands and vice versa should go for transportation by SCI/A & N Admn. vessels only. Necessary instructions have been issued to all concerned in this regard vide this Ministry's letter No. H-11013/1/88-SY. dated 25-10-88 (Copy reproduced below)

[Ministry of Surface Transport O.M. No H-11013/1/88-SY-II, dated. 2.6.89].

GOVERNMENT OF INDIA  
MINISTRY OF SURFACE TRANSPORT  
(SHIPPING WING)

No. H-11013/1/88-SY II.

New Delhi, the 25th October, 1988.

To

- (1) Chief Secretary,  
Andaman & Nicobar Admn.,  
Port Blair.
- (2) Director General (Shipping)  
Jahaz Bhavan,  
Walchand Hirachand Marg,  
Bombay-400001.
- (3) Secretary,  
Ministry of Defence,  
South Block,  
New Delhi.
- (4) Secretary,  
Ministry of Home Affairs,  
North Block,  
New Delhi.

- (5) Director General of Supplies & Disposals,  
Jeevan Tara Building,  
Parliament Street,  
New Delhi.
- (6) Chief Controller of Chartering,  
Ministry of Surface Transport,  
New Delhi.

**SUBJECT:** *Transportation of Government cargo from mainland to Andaman & Nicobar Islands by Indian flag vessels.*

Sir,

I am directed to say that the Committee on Public Undertakings in their 44th Report on Shipping Corporation of India Ltd. has pointed out that some of the shipping companies in the private sector operating on the mainland-Andaman sector are reported to be thriving at the cost of SCI as they carry only high freighted cargo leaving low freighted cargo for SCI. The Committee has, therefore, recommended that the Govt. in consultation with Andaman & Nicobar Admn. should take urgent steps to help SCI to get the maximum share of available cargo so that it does not suffer at the hands of private companies. The Committee has further recommended that for this purpose fresh instructions should be issued to all Government agencies requiring them to offer their cargo only to SCI.

2. As per the instructions issued by the A & N Admn. from time to time the shipment of Govt. cargo from mainland to Andaman & Nicobar Islands and *vice versa* is to be made by vessels owned by the A & N Admn. or Shipping Corporation of India Ltd. This matter has been further considered by Govt. in the light of the recommendations of the Committee on Public Undertakings mentioned above and it is decided that when the vessels of Shipping Corporation of India Ltd./Andaman & Nicobar Admn. are available, the preference for transportation of Govt. cargo from mainland to A & N Islands and *vice versa* should go for transportation by SCI/A & N Admn. vessels only.

3. You are requested to take necessary action to issue suitable instructions to all concerned on the above lines.

Yours faithfully,

Sd / -

(G.K. PILLAI,  
Director (S))

**Recommendation Serial No. 18, Para No. 3.85**

Although the Government has been re-imbursing losses both in respect of Mainland-Andaman and Mainland-Lakshadweep Services, no directive under Article 37 of the Articles of Association of the Company has been issued by Government so far. The Committee would therefore, like to reiterate the recommendation made by Committee on Public Undertakings in 1965 that "Commercial Organisations" like SCI should not be asked to undertake any activity on non-commercial basis except by issuing a directive under Articles of Association.

**Reply of the Government**

The recommendation of COPU has been examined by the Government. The Government accept the recommendation of COPU that Commercial Organisations like SCI should not be asked to undertake any activity on non commercial basis except by issuing a directive under Articles of Association. A directive has been issued to Shipping Corporation of India Ltd. under Article 37 of the Articles of Association of SCI regarding operation of mainland-Andaman & Nicobar and mainland-Lakshadweep services *vide* this Ministry's letter No. H-11013/1/88-SY. II dated 27-12-1988. A copy of the directive issued is reproduced below.

[Ministry of Surface Transport O.M.No. H-11013/1/88-SY.II dated 2.6.89.]

GOVERNMENT OF INDIA  
MINISTRY OF SURFACE TRANSPORT  
(SHIPPING WING)

No. H-11013/1/88-SY II.

New Delhi, the 27th December, 1988.

To

The Chairman & Managing Director,  
Shipping Corporation of India Ltd.,  
245, Madam Cama Road,  
Bombay-400001.

**SUBJECT:** *Operation of Mainland-Andaman & Mainland-Lakshadweep services by Shipping Corporation of India Ltd.*

Sir,

I am directed to say that the Committee on Public Undertakings in their 14th Report (1987-88) (Eighth Lok Sabha) on Shipping Corporation of

India Ltd. has pointed out that although the Government has been reimbursing losses both in respect of Mainland-Andaman and Mainland-Lakshadweep services, no directive under Article 37 of the Articles of Association of the Company has been issued by the Government so far. The Committee, has therefore, reiterated their recommendations in 1965 that Commercial organisations like SCI should not be asked to undertake any activity on non-commercial basis except by issuing a directive under Articles of Association.

2. The above recommendation of the Committee on Public Undertakings have been considered by the Government and accepted. The President of India, is therefore, pleased to direct the Chairman & Managing Director, Shipping Corporation of India Ltd. under Article 37 of the Articles of Association of SCI to operate the shipping service between Mainland and Andaman & Nicobar and between Mainland and Lakshadweep, on such fares as are approved by Government, through its own vessels to the extent the requirement of such services cannot be catered to by the vessels owned by Andaman & Nicobar and Lakshadweep Administrations.

Yours faithfully,

Sd / -

(G.K. PILLAI)

Director(S)

**Recommendation Serial No. 20, Para No. 3.87**

The Committee also find that till 1970 SCI was being reimbursed full losses but thereafter Government decided to re-imburse only 80% of the losses and that too only in those years in which SCI incurred an over-all loss. In profit making years Government decided that SCI should absorb those losses. In their written note furnished to the Committee the Ministry of Surface Transport have also recognised the need to re-imburse the entire losses suffered by SCI on running such socio-political services without linking to the over-all profit or loss position of the Corporation. In this connection, the Ministry of Surface Transport is also reported to have moved a proposal in January, 1988 to re-imburse 100% losses of SCI and Government's decision in this matter is expected shortly. The Committee hope that the Government would take appropriate decision in the matter soon and apprise the Committee in the matter.

**Reply of the Government**

A decision has already been taken by the Government to reimburse to Shipping Corporation of India Ltd. 100% of the losses incurred by them in operating their own vessels on Mainland-Andaman & Nicobar and Mainland-Lakshadweep services with effect from the accounting year 1987-88 starting on 1-7-87 onwards irrespective of the consideration whether the corporation earns profit or loss in its over-all operations. It has also been decided that the respective Administrations' concerned would re-imburse the entire operating cost to Shipping Corporation of India Ltd. on operating M.V. Andamans and such other vessels owned by the

Government and employed on Mainland-Andaman & Mainland-Lakshadweep services irrespective of the consideration whether the corporation earns profit or loss in its over-all operations. Orders to the above effect have been issued on 6-6-88. A copy of the Ministry's letter No. SS. 16012/3/86-SL dated 6-6-88 is reproduced below.

[Ministry of Surface Transport O.M.No.H-11013/1/88-SY.II Dated 2.6.89]

**No. SS. 16012/3/86-SL**

GOVERNMENT OF INDIA

MINISTRY OF SURFACE TRANSPORT

(SHIPPING WING)

New Delhi, dated the 6th June, 1988

To

The Chairman and Managing Director,  
Shipping Corporation of India Limited,  
SHIPPING HOUSE, 229/232, Madam Cama Road,  
BOMBAY-400021.

**SUBJECT:** *Shipping services between Mainland-Andaman And Nicobar and Mainland-Lakshadweep Islands—Revision of passenger fares between Mainland and Andaman—reimbursement of 100% losses irrespective of profit/loss of Corporation on its overall operations—regarding.*

Sir,

I am directed to refer to this Ministry's letter No. 40-MD(2)/72-MD-Vol. IV, dated the 9th Jan., 1978 and to say that passenger fares between Mainland and Andaman & Nicobar Islands have since been revised with effect from 1st June, 1988 and the revised fares have been notified in the Gazette Extraordinary, dated the 31st May, 1988 (copy attached).

2. I am also directed to convey the approval of the President to the reimbursement with effect from the accounting year 1987-88 starting on 1st July, 1987 onwards, to Shipping Corporation of India Ltd., of 100% losses in respect of their own vessels on the Mainland-Andaman and Nicobar and Mainland-Lakshadweep Shipping Services by Government of India and of the entire operating cost by the respective Administration concerned in respect of M.V. Andamans and such other vessels owned by the Government and employed on Mainland-Andaman and Mainland-Lakshadweep services, irrespective of the consideration whether the Corporation earns profit or makes loss on its overall operations.

3. This issues with the approval of Finance Wing *vide* their U.O.No. 2355/TF1/88, dated the 6th June, 1988.

Yours faithfully,

sd / -

(D.D. SOOD)

*Under Secretary to the Government of India.*

Copy with enclosure for information and necessary action to:

1. Lt. Governor, Andaman & Nicobar Administration, Port Blair.
2. The Lt. Governor, Lakshadweep Administration, Kavarati.
3. The Ministry of Home Affairs (Attn: Shri Ashok Nath, J.S.)
4. Cabinet Secretariat, New Delhi with reference to their endorsement No. 14/CM/18(i), dated 4.5.1988 (Case No. 187/14/88) and D.O.No. 93/1/2/88-Cab., dated 27.5.1988.
5. Dr. (Mrs.) Manju Sharma, Chief Science and Secretary, I.D.A., Planning Commission, Yojana Bhavan, New Delhi.
6. The Director General of Shipping, "JAHAZ BHAVAN", Walchand Hirachand Marg, Bombay.
7. Finance Wing, Ministry of Surface Transport.
8. D.O. (SU), Ministry of Surface Transport.

sd / -

(D.D. SOOD)

*Under Secretary to the Government of India.*

**Recommendation Serial No. 22, Para Nos. 4.20 & 4.21**

The Committee are informed that the Company had submitted a proposal to Government in May, 1985 to acquire six such vessels from a West German Shipyard at a cost of Rs. 28 crores each but it has not yet been sanctioned by Government. The proposal is reported to have been considered at various levels and by the time it was appraised and submitted to PIB for clearance on 1-5-1986, the cost of the ships shot up from Rs. 28 crores to Rs. 40 crores each. Even after clearance of the proposal by PIB, the SCI was given three options by the Ministry i.e. to negotiate the rate with the West German Yard as the offer was old and might have undergone a change resulting in huge foreign exchange variations: to explore the rupee payment area; and to explore second hand market. Accordingly, after exploring various possibilities, SCI, sent a proposal to the Ministry in September, 1987 for purchase of four 3 1/2 years' old second hand container vessels at a cost of Rs. 19 crores each. The proposal has been cleared by the PIB and is awaiting Cabinet's approval. The Committee were informed during evidence that the ships are expected to join the SCI fleet in April, 1988 provided the proposal was cleared by the Cabinet.

The Committee find that the SCI and the Ministry of Surface Transport together have taken inordinately long time of 6 years in finalising the proposal for purchase of vessels which is still pending before the Cabinet for approval. After analysing the facts placed before them the Committee have come to the inescapable conclusion that the procedure currently being

followed in acquiring the container vessels is quite cumbersome, long and inevitably results in avoidable delays which ultimately result in escalation of the prices of the ships. The Committee, therefore, recommend that the whole procedure should be thoroughly studied from all angles and streamlined with a view to ensure prompt clearance of the proposals.

### **Reply of the Government**

Government have been periodically reviewing the procedure and the manner in which the ship acquisition proposals of SCI are being processed for Government approval. Government are very keen to see that the acquisition proposals of SCI are approved at the earliest. There is, however, likely to be certain amount of delay as the investment decision has to be processed in the Ministry and thereafter submitted to the Public Investment Board for approval. It is only after the Public Investment Board has cleared the proposal from the investment angle, that the Ministry can approach the Cabinet Committee on Economic Affairs for final approval to the proposal.

In the case of acquisitions which are below a total cost of Rs. 20 crores, Ministry of Finance have since delegated powers in June 1988 to the administrative Ministry itself to take the investment decision after following the procedure laid down by the Expenditure Finance Committee.

2. As recommended by COPU, detailed discussions have been held with Shipping Corporation of India to evolve a revised and compressed time schedule for processing the ship acquisition proposal of Shipping Corporation of India.

3. As per the revised procedure a two track approach has been agreed upon. SCI would first send their proposal based on indicative prices for the acquisition on the basis of which investment decision would be processed within a period of 18 weeks and thereafter within a period of 8 weeks of obtaining the firm price, the decision of the Government would be communicated to the SCI.

This procedure would be followed in all cases except where serious technical and financial questions need to be sorted out or because of balance of payment difficulties, suitable sources of aid may have to be located separately.

### **Audit's Observation**

The implementation and its implication will be examined in audit in due course.

[Ministry of Surface Transport O.M. No. H-11013/1/88-SY-II, dated 2-6-89]

### **Recommendation Serial No. 23, Para No. 4.22**

The Committee note that SCI had originally requested the Ministry for 6 new cellular container vessels and had also invited tenders. It was



only on the direction of the Ministry that SCI had to explore the second hand market. It is now being argued that the economic viability of second hand container vessels is better than the new ships. According to the Ministry, by April, 1988, the second-hand container vessels will be about 3½ years old and would still be having 16½ years more as the normal operational life of such ships is 20 years. It was also stated that "the operational cost of the second-hand vessels is slightly more than the brand new vessels. What was identified for the purpose was about 3½ years old vessels. It serves well operationally." The Committee have no doubt in their mind that Second-hand ships are no substitute for new ones. As the technology in the field of shipbuilding is fast improving and latest techniques are being developed to manufacture ships which are fuel-efficient, the argument of the Ministry in favour of second-hand ships is untenable. Moreover, there is no guarantee that the second hand ships will continue to work efficiently for 16½ years. It would be relevant to point out here that SCI had an unpleasant experience of the worthiness of old ships when it had to sell 23 ships (discussed elsewhere in this report) before they could complete their normal life of 20 years and 9 of them had still a balance life between 6-10 years. The Committee, therefore, desire that the whole matter should be re-examined in all its ramifications to decide about the economies of the proposal so that the relative suitability of the new and second hand vessels is determined to the best interests of the Company.

#### **Reply of the Government**

The Shipping Corporation of India had submitted a proposal for the acquisition of second hand container vessels. However, this proposal could not fructify as no decision could be taken on the acquisition, within the validity period of the offers. There is, thus, no proposal at present before the Government for the acquisition of second-hand Container vessels.

2. The observations of the committee have been noted by the Government and future proposals, if any for acquisition of second hand vessels, would be examined in all its ramifications to decide about the economies of the proposals so that the relative suitability of the new and second hand vessels is determined to the best interest of the Shipping Corporation of India.

[Ministry of Surface Transport O.M. No. H-11013 / 1 / 88-SY II  
dated 2-6-89]

#### **Recommendation Serial No. 24, Para No. 4.23**

The Committee have observed that the share of SCI in the total container traffic had increased from 16% in 1984 to 22% in 1986 but the container services on all the sectors have been continuously running into losses. Some of the services like WCI / Australia, India / USA (Pacific) and India / USA (Great Lakes) have been incurring losses since their introduction. Since more and more international shipping companies are

switching over to container ships to attract world market, the SCI should also explore new avenues to attract more traffic to make its service viable and profitable. To achieve that end, the company should identify areas which are unprofitable, and restructure its container services in those areas to contain rising losses. Vigorous efforts should also be made by SCI to popularise container traffic among shippers and have adequate number of inland container depots besides developing proper feeder transport facilities by rail / road etc.

### **Reply of the Government**

Containerisation is crucial to success in future liner operations. The SCI has recognised this and has identified containerisation as a key future thrust area. The SCI decided to introduce containerisation in a phased manner. In 1984 the SCI started a full container service deploying its own semi-container ships. Gradually these vessels were substituted by in-charted fully cellular vessels. Presently, due to a tremendous increase in charter hire rates of cellular vessels, the SCI has replaced these big fully cellular in-charted vessels with its own semi-container vessels. In the meantime, the SCI is exploring the new and second hand market for acquiring suitable fully cellular vessels.

In addition to providing its own container service to the Indian trade, the SCI also entered into slot charter arrangements so that more areas can be served. For example, with a view to covering cargoes moving from the Latin American countries of Brazil, Mexico and Argentina, the SCI has entered into space charter arrangements with Continental Line of Belgium. The SCI has also concluded a slot charter agreement with DSR Line which is the national shipping line of East Germany for carriage of slots on each others vessels between India and UK-Continental and also for carriage of SCI containers from Japan to India and Japan to Sri Lanka on DSR vessels.

The SCI has improved its marketing efforts with a view to capturing even more cargo from the various ICDs within the country. It has emerged as the largest carrier of tea from ICD, Amingaon. Similarly, it is also a leading carrier of Cargo from ICD, New Delhi.

Exporters in India have accepted containerisation and increasing volumes of exports are being containerised.

The SCI and other shipping lines are providing container services and more and more shippers are becoming aware of the advantages of containerisation.

The SCI has also been taking steps to contain liner losses as a result of which its performance on the liner trades has improved considerably as can be seen from the table given below.

**NET RESULTS OF THE LINER  
SERVICES OF THE SCI**

(Rs. in Lakh)

1985-86 (Pro-rata for 12 months)	1986-87	1987-88 (Provisional)	1988-89 (Budgeted)
(-)1322.43	(-)985.09	(+ )85.33	(+ )119.34

[Ministry of Surface Transport O.M. No. H-11013 / 1 / 88-SY  
II] dated 2.8.1989]

**Recommendation S.No. 25, Para Nos. 4.24 to 4.26**

The SCI has entered into the field of Containerisation keeping in line with the World trend. But according to the Company, full benefits of containerisation have not been achieved by it due to lack of basic facilities for handling container traffic at Indian ports. According to SCI the major drawbacks of Indian Ports are lack of basic equipment like forklifts, top lifters and gentry cranes for handling containers. These short-comings have resulted in poor output at Indian Ports.

It has been brought to the notice of the Committee that Indian Ports handle 6 to 12 containers per hour as compared to 25 to 30 containers being handled at International container terminals. Therefore, in order to provide adequate infrastructural support to handle the container traffic the following facilities are required to be created at Indian Ports:

- (a) Container berths with gantries and back-up area served by Transtainers;
- (b) Container stockyards in the near vicinity of the container berth; and
- (c) Container freight stations with sufficient facilities / shed space, higher capacity forklifts for receiving and delivering of cargo besides stuffing storage of empty and loaded containers.

The Committee recommend that Government should take urgent steps to modernise the infrastructure at Major Indian Ports by providing the above mentioned and other facilities as are considered essential to increase all round productivity.

**Reply of the Government**

There is increasing awareness of the necessity to provide modern container handling facilities at Indian Ports consistent with growing trend of containerisation around the World. Emphasis has been laid on stepping up qualitatively and quantitatively the provision of requisite container handling facilities at Major Ports in India during Sixth and Seventh Plans.

The Ports of Bombay and Cochin on the West Coast and Madras and Calcutta on East Coast were indentified for development of container handling facilities. However, during the 6th Plan development was restricted only to procurement and installation of essential container handling equipment at these ports excepting Madras Port where a project for provision of a full fledged container handling terminal was taken up and commissioned.

2. One of the objectives under the 7th Five Year Plan for Ports Sector is development of facilities to handle at least 50% of general cargo in containerised form. Provision was accordingly made in the 7th Plan for procuring additional facilities for handling containers at the Ports. The container handling facilities available at the Major Ports in India are as follows:—

(i) **Bombay:** Bombay is the premier container handling port of India where the annual container traffic has reached the level of over 2,00,000 TEUs. The container traffic at Bombay Port is being presently handled at the two berths, namely (1) Marine Terminal and (2) Land Terminal. The major container handling facilities available at these terminals are as follows:—

**(A) Marine Terminal**

**(a) BPS / BPX**

- (i) 1 berth at BPX which can cater to vessels upto 750 ft. length overall, 100 ft. beam and 35 ft. draft.
- (ii) 1 berth at BPS which can cater to vessels upto 650 ft. length overall, 90 ft. beam and 32'-10", draft.
- (iii) Quayside / gentry cranes-2 Nos.
- (iv) Back up yard with 517 Slots.
- (v) Rubber tyred Santry Yard cranes-2 Nos.

**(b) Indira Dock**

- (i) Berth No. 1 which can cater to vessels of 625 ft. overall length, 87 ft. beam and 30 ft draft.
- (ii) Backupyard with 198 slots.
- (iii) Rubber tyred Gantry cranes-1 No.

**(B) Land Terminal**

**(a) Manganese Ore Depot:**

- (i) 3 Sheds with a covered space of 7588 sq. m.
- (ii) Backupyard with 474 slots.
- (iii) Top Lift Truck for 40 Containers-2 Nos.
- (iv) Top Lift truck for 20 containers-3 Nos.

(v) Limited facilities for handling railborne ICD containers.

(b) *Timber Pond.*

(i) 3 sheds with a covered space of 10,695 sq. m.

(ii) Back up yard with 684 slots.

(c) *Frare Basin.*

(i) 6 Sheds with covered space of 10,200 SQ.M.

(ii) **Cochin:** Presently Cochin Port handles about 43000 TEUs annually. The Port does not have exclusive berth for handling containers and these are handled by ships' own gear at general cargo berth in Ernakulam wharf. The facilities at present available are:

1. R.T.G. Transfer cranes	3 Nos.
2. Top lift trucks for empties trailers	2 Nos.
3. Trailers	19 Nos.
4. Tractor heads	3 Nos.
5. Small forklift trucks for stuffing and destuffing	10 Nos.
6. Heavy duty mobile cranes	3 Nos.
7. Container freight station shed with about 3600 Sq mt. area	
8. A new container parking yard with 594 TEU ground slots is being provided.	

(iii) **Madras:** Madras Port has a full fledged container terminal built at a cost of about Rs. 32.20 crores to serve third generation gearless cellular container vessels. It is equipped to handle about 75,000 TEUs. the facilities provided at this terminal are as follows:

- (i) A 380 mt. long berth
- (ii) A back up area of 13 hectares.
- (iii) Two quayside gantry cranes of 35.5 tonnes capacity each.
- (iv) Two top lift trucks of 31 tonnes capacity each.
- (v) Four rubber tyred Gantry cranes of 35.5 tonnes capacity each.
- (iv) Three top lift trucks of 21 tonnes capacity each.
- (vii) Twenty two fork lift trucks of 2.25 tonne capacity each.
- (viii) A container freight station of 6300 Sq. m. area.
- (ix) A paved area of 49500 Sq. mt. for about 1200 container slots.

(iv) **Calcutta:** At present container traffic at Calcutta Port is of the

level of about 42,000 TEUs per annum, which is handled at the existing berths at N.S. Dock by using ghips gears.

3. The container handling facilities at major Ports are being augmented as follows:

(1) **Bombay Port.** The Seventh Plan programme of Bombay Port envisages modernisation of the existing container handling facilities which is subject to the following important factors:

- (i) Diversion of container traffic to Nhava Sheva Port under construction when it becomes operational in early 1989.
- (ii) Clearance by the environmental authorities.

The Bombay Port Trust is finalising a scheme at an approximate cost of Rs. 16.04 crores for augmentation of container handling facilities, keeping in view the above factors.

(2) **Cochin Port:** Construction of a full fledged container terminal has been sanctioned for Cochin Port at an estimated cost of Rs. 53.11 crores to cater to the need of about 70,000 TEUs annually. The scheme *inter alia* envisages the following facilities:

- (i) Strengthening the existing Quaywal at Q-8/Q-9 berths of 414 M length to enable deepening upto 13.7 m. below datum finally. This length can accommodate one 1500 TEU capacity vessel and another 700 TEU capacity vessel.
- (ii) Dredging the berth initially to 11.90 m. below datum to cater to 10.70 m. vessels.
- (iii) Extending the container parking yard by about 8600 m<sup>2</sup> to accommodate additional 342 TEU ground slots.
- (iv) Construction of a new container freight station of area 10440 m<sup>2</sup>.
- (v) Providing Railway yard for ICD containers, block stacking yard for empties, workshop, godown, houses etc.
- (vi) Acquisition of 2 Nos. quayside gantry cranes.
- (vii) Acquisition of additional 2 Nos. rubber tyred gantry transfer cranes.
- (viii) Procurement of tractor heads (19 Nos.) Trailers (16 Nos.) and small forklifts (15 Nos.)
- (ix) Providing electrical facilities including additional plug points for reefer containers.
- (x) Provision of computer system.

The scheme is expected to be completed by the end of Jan. 1991.

3. **Madras Port:** Madras Port has drawn up a scheme for the

extension of the present container berth and provision of additional equipment and infrastructural support to handle efficiently about 1,75,000 TEUs. The scheme which has been sanctioned in Feb., 88 at a cost of Rs. 54.71 crores envisages provision of the following facilities:

- (a) Extending the existing berth, from 380 m to 600 m to cater to either 2 Nos. third generation ships or 3 Nos. feeder ships or a combination of a large and two feeder ships.
- (b) Declaring a back up area of approximately 300 m x 100 m size.
- (c) An extra container parking area of approximately 20,000 M<sup>2</sup> area for handling and stacking of containers with a total capacity of about 500 slots.
- (d) A freight station of size 180 m x 35 m approximately for stuffing and destuffing of cargo. The freight station will have at its one end a liquor and personal effects go-down which is lacking in the existing terminal.
- (e) Other ancillary shore facilities like power supply, bunkering water supply, rail and road connections.
- (f) Provision of 2 Nos. quay side gantry cranes, transfer cranes and other miscellaneous equipment.
- (g) Provision of a sophisticated computer system and a standby generator.

The scheme is expected to be completed by Aug., 1990.

**4. Calcutta Port:** Calcutta port had drawn up a scheme to provide the following facilities for handling 75,000 TEUs annually at an estimated cost of Rs. 24.37 crores.

- |   |         |
|---|---------|
| (i) Container terminal.                           |         |
| (ii) Container yard with about 1284 ground slots. |         |
| (iii) Stacking area of about 48,000 Sq. m.        |         |
| (iv) Container freight station.                   |         |
| (v) Heavy duty yard tractors.                     | 17 Nos. |
| (vi) Rubber tyred yard gantry.                    | 3 Nos.  |
| (vii) Medium duty fork lift trucks.               | 2 Nos.  |
| (viii) Yard trailers (40 ft.)                     | 36 Nos. |
| (ix) Small fork lift trucks.                      | 32 Nos. |
| (x) Computer system.                              |         |

The above scheme which has been revised on the basis of discussions with the ADB is expected to be completed by end of March, 90.

The container schemes at Madras, Cochin and Calcutta are part financed by the Asian Development Bank.

**4. Haldia dock complex:** The 7th Five Year Plan including a token provision of Rs. 1 crore for the augmentation of container handling facilities at Haldia Dock Complex of Calcutta Port. OECF of Japan has agreed to fund this scheme. A DPR is being prepared. With the implementation of this scheme, the capacity of Haldia Dock Complex to handle containers is expected to increase from 30,000 TEUs to 60000 TEUs annually.

**5. Nhava Sheva Port:** A modern container terminal with high degree of automation is being developed as a part of Nhava Sheva Port project near Bombay which is estimated to cost about Rs. 986.08 crores including capitalised interest of Rs. 107.44 crores. The project scheduled for substantial completion by March, 1989 envisages creation of following facilities which will be able to cater to third generation container ships and handle about 2,50,000 TEUs annually.

- (i) 3 container berths of a total length of 680 m with a draft of 13.5 M at berth.
- (ii) Quayside gantry cranes of 35.5 T capacity-5 Nos.
- (iii) Rubber tyred gantry cranes-8 Nos.
- (iv) Rail mounted yard gantry crane-1 No.
- (v) Associated electricals and automation.
- (vi) Telescoping/fixed/slewing type spreaders with cargo beams : 18 Nos.
- (vii) Tractors (Pay load 40 T) 30 Nos.
- (viii) Trailers (Pay load 40 T) 138 Nos.
- (ix) Container yard area of about 20 ha with about 40000 ground slots.
- (x) A container freight station.

6. A loan agreement was signed on 16.12.87 between Asian Development Bank and Govt. of India and Ports of Madras, Cochin & Calcutta, under which amount of 70.70 million US dollars will be provided by ADS to the Govt. of India as loan for the aforesaid projects. Accordingly following amounts are to be relent from the ADB loan to these parts for the container projects.



<i>Name of the Port</i>	<i>Loan amount (US dollars)</i>
Madras	32.90
Cochin	29.20
Calcutta	8.60
	<hr/>
Total	70.70
	<hr/>

7. It will be observed from the narration above that necessary steps have been/are being taken to provide additional infrastructural facilities at Major Ports to handle containers effeciently such as container berths, stack yards, container freight station, gantry cranes, fork lifts etc. to the extent possible within the overall financial limitations. The productivity in handling containers however does not depend only on infrastructural facilities at the ports but other factors also such as type of vessel, stowage of containers in previous ports of call and the preparedeness of the ship itself. While productivity level is highest in respect of gearless cellular vessels, the handling rate of 25-35 containers cannot be achieved in respect of container oriented vessels and generally less in break bulk carriers. Out of the vessels chartered by the Shipping Corporation of India not even one is of gearless type. These are either container oriented or bulk carriers fitted with derricks with no cells for guiding containers. In view of this comparison of the productivity, of Indian Ports with that of foreign ports in respect of Shipping Corporation of India vessels is not appropriate. Even in the regional port of Colombo, SCI vessels are reported to be able to register a productivity of only 15 containers per hour. Against this Madras Port which is equiped with similar equipment as at Colombo has been able to achieve consistently 18-20 container per hour per gentry crane. The productivity also depends on the efforts of the worker at major ports. Datums for incentive schemes and manning scales were prescribed decades ago and in spite of modernisation of cargo handling equipment the datums and manning scales remain the same. The Unions are averse to upward change in the datums without additional benefits to the workers and are nor agreeable for reduction in manning scales. With a view to achieve higher productivity by labour, incentive schemes have been finalised at Madras and Calcutta. For Cochin a study of the issues regarding prationalisation of manning scales and other allied matters in regard to container handling have been entrusted to National productivity Council and the recommendation of the N.P.C. will be discussed with the Labour Unions.

[Ministry of Surface Transport O.M.No. H.11013/1/88-SYII dated 2.6.89]

**Recommendation Serial No. 27, Para No. 5.19**

The Committee note that majority of the ships purchased by SCI during

the years 1973-76 were from Yugoslavia and a few from Japan and Sweden. From the information made available to them, the Committee find that the repair expenditure incurred on Yugoslavian vessels was disproportionately high as compared to Japanese or Swedish ships of almost similar class and size. The Committee were informed that "because of the difficulty in procuring ships from Japan or West European countries, which were insisting on cash down payments, the Company had taken a conscious decision to acquire vessels from Yugoslavia which offered competitive prices and favourable terms, although the Company was aware that the quality of ships built in Japan or West European countries would be better than the ships built in Yugoslavia." SCI had also admitted during evidence that "the workmanship of ships built in Yugoslavia was generally poorer than the workmanship of ships built in Japan or West European countries." Since the normal life of ships is reported to be 20 years and the Yugoslavian ships were known for their poor workmanship, it is surprising that quality was sacrificed to low price and the relative profitability of the ships and the huge expenditure expected to be incurred on the maintenance of Yugoslavian ships were not taken into consideration by the SCI. The Committees have no doubt that higher maintenance cost on Yugoslavian ships would continue to affect the operational results of the Company for the balance life of these ships and, therefore, this important factor should have been given due weightage in the purchase decision.

#### **Reply of Government**

While the Government fully endorses the views of the Committee, the background to the acquisition of ships from Yugoslavia is as follows. The SCI ordered ships from Yugoslavia during the period 1970-73 at a time when world shipping was booming and it was almost impossible to procure ships from Japan and West European countries which were insisting on cash down payments. This problem was further compounded by the fact that 85% of the world ship building capacity was concentrated in a few developed countries and of this, about 50% was concentrated in Japan alone. The developed countries were reluctant to build ships for India, specially when India sought to acquire ships on credit terms on account of foreign exchange constraints. On the other hand, several buyers from the developed countries were prepared to purchase ships on a cash down basis. It may not be out of place to point out that during an eight year period at that time, the SCI could order only one ship in Japan and none in Western European countries.

However, the national fleet of the country had to be expanded so that an increasingly larger percentage of Indian trade was carried in national bottoms. In case shipping tonnage was not acquired, the country would have been forced to patronise foreign ships and the freight would have been required to be paid in foreign exchange. In view of these constraints, as well as the imperative need to expand national tonnage, the SCI took a conscious decision to go in for construction of vessels at Yugoslavian

Shipyard which also offered competitive price and favourable terms, in full knowledge of the fact that the quality of the ships built in Japan and West European Yards was by and large superior to ships built in Yugoslavian yard. While it was known that the quality of the ships built in Yugoslavia was not as good as quality of ships built in West European or Japanese Yards, such a comparison at that point of time was not really relevant as the option of building these ships at other yards was just not available to SCI.

However the observations of the Committee have been noted by the Government and SCI has been directed to take into account such factors while considering future proposals for acquisition of vessels from Yugoslavian Shipyards.

[Ministry of Surface Transport O.M. No. H-11013/1/88-SY.II. Dated 2.6.89].

**Recommendation Serial No. 28, Paragraphs Nos. 5.20 & 5.21**

The Committee have been informed that whenever an Indian Shipowner wants to get his ship repaired abroad, he has to procure a "No Objection" Certificate from the Indian shipyards before approaching the Director General (Shipping), for permission to dry dock the vessel in a foreign shipyard. The Committee find from the information furnished to them that during the years 1980-81 to 1984-85 the Company spent huge amounts ranging from Rs. 23 crores to Rs. 44 crores in getting its ships repaired abroad whereas Indian Shipyards' share during the same period was between Rs. 17 crores to Rs. 29 crores. The reasons attributed by SCI for this big outflow of foreign exchange have been that dry docking facilities in India are inadequate, expensive and time taken to dry dock ships at Indian ports is more than the time taken abroad. The Committee are of the view that whatever the reasons may be, the country cannot afford such an enormous flight of scarce foreign exchange from the country especially when ships of 80,000 to 85,000 DWT can be dry docked in India and the company, according to its own admission, has only about 10 ships out of the total fleet strength of 134 ships, which fall within the large category of one lakh DWT or above size. The Committee have no doubt that Indian Shipyards have the requisite capability and expertise to repair ships in their docks. Also, the Committee fail to understand as to say 'no objection' certificate is issued by the Indian shipyards for repair of ships in foreign yards, particularly when such facilities are available with them.

The Committee, however, recommend that Government should make all out efforts to remove the deficiencies, if any, in the Indian Yards and augment the existing facilities of dry docking of ships in Indian ports with modern equipments to meet the requirements of the shipping companies which are engaged in modernising their fleet to compete in the world market.

### Reply of Government

As per the existing system, a quarterly meeting is taken by Director General (Shipping) with the Shipyards and SCI to work out a slotting arrangement for shiprepairs in the Indian yards during the next quarter. SCI ships are dry docked and repaired in Indian shipyards as per this slotting arrangement. However, when the dry dock of Indian yards is not available for any ship due to pre-occupancy dry docks by other ships, the shipyards communicate to Director General (Shipping) about the non-availability of dry dock and only thereafter No Objection Certificate for repairing such ships abroad are given by D.G. (Shipping) after taking into account all factors such as availability of dry docking space at the desired location, at the specific time etc.

2. As per an assessment done by the Working Group on 7th Plan for the shipbuilding and Shiprepair Sector, the shiprepair facilities required to service the Indian Ships are as follows:—

- (a) No. of dry docks days available—4500 days/annum
- (b) No. of repair berths days required—4500 days/annum

As against the above, the capacity at present available indigenously is as follows:—

- (a) No. of dry dock days available—2600 days/annum
- (b) No. of repair berths days available—1500 days/annum

It is evident that the existing shiprepair facilities in the country are grossly inadequate to meet the demand and, therefore, a number of ships belonging to SCI and other Shipping Companies have to be sent abroad for dry docking and repairs. On an average about Rs. 40 to 50 crores are spent in foreign exchange every year on repairing the Indian ships abroad. Government are conscious of the need for augmenting the shiprepair facilities in the country in order to save valuable foreign exchange. Government has cleared a proposal for creation of an integrated shiprepair facility at Madras port by a private entrepreneur. The two Floating Dry docks have since arrived in India. While the repair work is expected to start by end June, 1990, the facilities will be fully operational by September, 1990. Further, a Project for a feasibility study relating to the establishment of two shiprepair complexes—one in the East Coast and one in the West Coast is under consideration with Technical assistance from ADB. The Techno-Economic Feasibility study is expected to start by July / August, 1990 and is likely to be completed by March, 1991.

Besides the above, the following schemes have been/are under consideration for implementation:-

- (i) Modernisation of shiprepair facilities at Hindustan Shipyard Limited, Visakapatnam (Completed at a cost of Rs. 4.457 crores).

- (ii) Additional quay at Cochin Shipyard Limited for wet repair berth has been approved at an estimated cost of Rs. 16.70 crores. The civil work has been completed to the extent of 70%. The whole project is expected to be completed by December, 1990
- (iii) Modernisation of shiprepair facilities at Calcutta Port—phase I at an estimated cost of Rs. 4.76 crores. The project is expected to be completed by December, 1991.
- (iv) Modernisation of shiprepair facilities at Bombay Port at an estimated cost of Rs. 19.02 crores. This has been divided into two parts viz. (a) modernisation of existing shiprepair facilities and (b) replacement of Cassons at Hughes and Merewether docks. While the second part is expected to be completed by 1991, the first part is expected to be completed by 1994.
- (v) Dredge repair facility at Calcutta at an estimated cost of Rs. 10 crores in the joint venture. This is a joint venture company with the participation of two Public Sector Undertakings; one private company and one foreign company. The Company has been formed and registered. They are likely to start repair work in the very near future.

[Ministry of Surface Transport O.M. No. H-11013/1/88-SY.II. (Vol-II) dated 20.6.90].

#### **Comments of the Committee**

[Please see para 36 of chapter I of the Report]

#### **Recommendation Serial No. 29, Paragraph No. 5.22**

The Committee find that at present adequate facilities for repairing of vessels within the country are not available. Further, due to limitation of size, of dry docks in India, the large sized vessels are dry docked abroad for repairs and service. Even the Secretary, Ministry of Surface Transport admitted in his evidence before the Committee that “facilities for carrying out repairs are not adequate. One big problem is that some of the very large ships cannot be accommodated in our existing dockyards. These ships perforce have to go out for repairs”. While agreeing to the suggestions made by the Committee for the creation of sufficient facilities in our own shipyards to avoid the outgo of huge foreign exchange, the Secretary informed the Committee that in the Seventh Plan they had put up very comprehensive proposal for enhancement of repairs facilities and for that purpose they demanded allocation of Rs. 135 crores. But the outlay approved was only to the extent of Rs. 38.95 crores. As a result, they could not go in for the creation of new facilities. The Committee cannot but express their serious concern over not making available adequate resources in the Seventh Plan for the creation of adequate repairing

facilities within the country. The Committee recommend that the Ministry should take up the matter once again with the Planning Commission for the purpose of getting additional funds for creating additional repairing facilities in our shipyards so that the country could be saved from foreign dependence in regard to ship repairs.

### **Reply of the Government**

The matter was taken up with the Planning Commission who have stated that the outlays will be decided on a year to year basis through the mechanism of Annual Plan.

The matter was also considered by the Empowered Committee of Secretaries on Exports in its the 29th meeting held on 17-6-1988 who recommended that the Ministry of Surface Transport should go ahead and undertake preparation of a Detailed Project Report(DPR). once such Report is available, further decision regarding the facilities and recommendations to augment ship repair industry could be taken. Action is under way to appoint Consultants to carry out such D.P.R.

Further action on the recommendations of D.P.R. will be taken during 8th plan.

[Ministry of Surface Transport O.M.No. H-11013 / 1/ 88-SY.II dated 2-6-89]

### **Recommendation Serial No. 30, Para No. 5.23**

The Committee have also been informed that bulk of the repairs work at Bombay and Calcutta was being carried out by the Government owned / controlled workshops and only minor jobs not requiring high value expertise were being carried out by privately owned firms but the quantum of repair work given to Government owned / controlled workshops and privately owned workshops at Calcutta during the years 1977-78 and 1985-86 has revealed that the repair work entrusted to Government owned / controlled workshops was 41% in 1977-78 which dropped to 21% in 1983-84 and just 16% in 1984-85. This implies that about 59% to 84% repair work had gone to the private workshops. According to the Company the factors responsible for this fall are, higher rates charged by public sector workshops, higher quantum of labour booked than required for the jobs and high overheads. The committee do not approve of this large scale repair work being given by SCI to private workshops and Government Workshops share declining year after year. Even though Government policy is to give repair work to Government owned / controlled workshops but this policy is not being followed in all seriousness by SCI. Therefore, the committee desire that Government should issue fresh instructions to SCI to follow the Government policy in this regard, strictly. The Committee also desire that the Government owned /

controlled workshops should gear up their activities by devising a suitable strategy for improving their performance in the ship repair field with a view to be competitive with privately owned workshops.

#### **Reply of the Government**

To ensure maximum utilisation of government yards / workshops the Directorate General (Shipping) as per the directives of the Ministry of Surface Transport, holds quarterly meetings of shipowners and shipyards for the purpose of allocating ships for dry-docking repairs to various government yards and workshops. SCI ships that are in need of repairs have always been allocated in this manner. Ships are allowed to be repaired abroad or by Indian private workshops only when they cannot be accepted in any of the government owned yards in the required period of slot.

2. However, it may be mentioned that all Government yards do not possess drydock facilities exclusively to themselves. Government yards in Bombay and in the case of Calcutta (which mainly depend on dry-dock facilities of Calcutta Port Trust) are being shared by the private sector ship repairing companies also. In the event of dry-dock being occupied at Calcutta or Bombay by ships which are under repair by private sector companies, it is possible that some of the SCI ships cannot get required allocation of dry-dock space. As far as major repair and overhaul is concerned, there has been a decline in the volume of repair work carried out at Calcutta due to deterioration of dry-dock facilities at Calcutta. Calcutta Port Trust has initiated their modernisation programme and the situation is likely to improve in the near future.

3. Ship repair work being of jobbing nature, for intermittent and running repair requirement there is no Government instruction giving preference to a public sector / Government yard.

4. However, the recommendation of the Committee have been noted and all efforts would be made to improve the involvement of Government / public sector shipyards in the ship repair fields.

[Ministry of Surface Transport O.M. No.H-11013 / 1 / 88-SY. II.  
dated 2-6-89.]

#### **Comments of the Committee**

[Please see para 39 of Chapter I of the Report]

### CHAPTER III

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

### **Recommendation Serial No. 15, Para Nos. 3.78 & 3.79**

The Committee note that SCI chartered an Indian vessel for a period of six months, upto February, 1977 but the charter period was extended by another six months because the owner was not agreeable to take back the vessel. This resulted in a total loss of Rs. 6.02 lakhs, Rs. 5.09 lakhs for the first period and Rs. 0.93 lakh for the extended period. The need for chartering this vessel is reported to have arisen because one of the Company's own vessel which was to lift Bangladesh cargo, in addition to Calcutta cargo, lifted full cargo at Calcutta itself. In this connection, SCI, has informed the Committee that "buyers in Australia who were expecting Bangladesh cargo became restive and threatened the SCI that if the SCI does not place a substitute vessel to lift this cargo they would approach a third flag, to place its vessels to lift the Bangladesh Cargo. It would have been detrimental to the interests of SCI not to recognise their commercial threat for barthing a vessel to give coverage to Bangladesh Cargo and allow non-conference lines its intrude into this trade against the SCI which had been all along the sole operator in this sector" The Committee are constrained to observe that for their acts of commission and omission SCI had to incur a loss in chartering a vessel for lifting cargo from Bangladesh even though the cargo lifted was insufficient for the voyage and hence unprofitable.

The Committee cannot help expressing their displeasure over this deal. The Committee feel that as per their commitment with Bangladesh, SCI, though not legally bound, yet had a moral obligation to lift the cargo from Bangladesh at the desired time. The Committee are of the view that SCI could have avoided this loss had it acted in a judicious manner and in accordance with prudent commercial practices.

### **Reply of Government**

There was a sudden upsurge in cargo booking from Calcutta and a tremendous demand from the shippers to ensure that the cargo sailed on the SCI ship. If the SCI had decided not to release additional space for Calcutta cargo, the repercussion would have been serious, as Indian shippers would have alleged that SCI as the National carrier overlooked national interest and gave preferential treatment to Bangladesh cargo. At the same time it was imperative for SCI to cater to the Bangladesh shippers. In this particular case, SCI was the sole carrier on the Bangladesh-Australian sector. The cargo buyer in Australia had indicated



that if the SCI was not prepared to carry the cargo, they would approach the Gulf shipping Lines (GSL) for lifting the cargo. SCI felt that in case the Gulf Shipping Lines, which was a non-conference line, was permitted to lift the cargo, it was possible that SCI would in future have to face a competitor on this sector and such a situation would have been **detrimental** to the long-term commercial interests of SCI. Hence in order to cater to the national cargo and also ensure that the commercial interest of SCI were not jeopardised by retaining support of the Bangladesh shippers, who are not under any obligation to patronise SCI's ships, unless the SCI provides an acceptable quality of service, the SCI had to take a commercial decision to charter an additional ship to honour its commitments to **Bangladesh shippers**. The decision to charter the vessel M.V. Indian Faith was taken knowing fully well that the voyage was likely to incur loss. If the SCI had not fulfilled its commercial obligations, it would have been difficult to retain shippers support and there could have been much larger and long-term losses to SCI. However, in the light of the recommendations of the Committee on Public Undertakings, SCI had been advised to do more careful planning in future in such cases.

[Ministry of Surface Transport D.M.No.H-11013/1/88-SY.II Dated 2.6.89]

#### **Recommendation Serial No. 26, Para No. 5.18**

**Repairs and maintenance** of its fleet constitutes one of the major items of expenditure of SCI. The Committee have been informed that depending upon the availability of dry-docks, the Company gets its vessels repaired in Indian ports. Due to limitations of size of the home dry-docks, the larger vessels are, however, dry-docked abroad for repairs. It has been brought out by Audit that the SCI had not laid down any norms for maintenance expenditure as according to the Company the repair cost of each ship cannot be uniform because of diverse types of ships, their age group or class of ships. The Committee are not convinced with the explanation given by the Company. Since the Company has gained sufficient experience in operating these ships, it should not now be difficult for them to lay down the norms. The Committee, therefore, recommend that the norms for expenditure on repair of ships of various sizes and age groups should be prescribed forthwith and observed scrupulously.

#### **Reply of the Government**

The Government have examined the feasibility of laying down norms for expenditure on ship repairs of various types, sizes and age groups. However, it has not been possible to do so for the following reasons.

- (a) The repair expenditure on a ship varies significantly depending upon the types of employment, the number of days the ship is required to wait at a port, the area in which the ship is required to be repaired etc. For example, repairs in certain regions of the world are cheaper

and repair expenses would depend considerably upon this factor which, in turn, would be determined by the type and area of employment of the vessel.

- (b) The repair expenditure also depends on the order book position of ship repair yards. If, at a particular part of time a particular repair yard is comparatively free it is able to quote more competitive rates
- (c) Since the repair expenditure is denominated in rupees it also depends, to an extent, on currency fluctuations which are not possible to forecast.
- (d) At times the repair expenditure is also a function of the weather—if the ship has passed through rough seas it might require certain additional repairs.
- (e) The repair expenditure incurred on ships also depends upon where the ship has been constructed.

In certain cases past data was analysed to determine whether some norms could be laid down. However, it was not possible to lay down norms.

It may however, be mentioned that before the commencement of a financial year the SCI prepares an annual budget for repairs and maintenance for each and every vessel. This annual budget is prepared taking into account various factors including the likely quantum of maintenance work required to be carried out on the vessel. The annual repair budget of the SCI fleet is then prepared on the basis of the individual budgets for all ships in the fleet. This budget is carefully scrutinised at various levels and finally approves by the Board. Thereafter, it is the endeavour of the SCI to ensure that the quantum of repairs carried out are within the budget amount.

[Ministry of Surface Transport O.M.No.H-11013/1/88-SY II.  
Dated 2.8.1989]

## CHAPTER IV

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

#### **Recommendation Serial No. 3, Para Nos. 2.66 to 2.68**

The Committee note that till June, 1985 acquisition of Vessels of SCI was on the basis of limited tenders. To over-come the limitations of negotiation with only the short-listed shipyards, the Government of India at the instance of Audit revised procedure in June, 1985 whereby advertisement are now given in selected newspapers in India and selected Journals abroad. The committee are also informed that two weeks prior to the last date of submission of offers, SCI convenes a clarification meeting with shipyards who had collected tender documents. The sealed offers when received are evaluated and a short list upto a maximum of 10 is prepared. After detailed discussions with short-listed shipyards, shipyards are asked to give final specifications and commercial offers which are again evaluated and submitted to Ship Acquisition Committee.

The Committee are surprised to find that even after introducing the global tender system the magnitude of response from Shipyards has remained more or less the same as was admitted both by SCI and the Ministry in their evidence before the Committee. The Committee recommend that the matter should be examined in greater details with a view to finding out the factors responsible for the low key response from foreign shipyards and constraints, if any, removed to enable the maximum number of foreign shipyards to participate in the scheme for acquisition of ships.

The Committee -are -also informed- that after the introduction of new procedure the Company has placed orders for two passenger-cum-cargo vessels from Poland which are plying between Mainland and Andaman. The Company is also reported to be negotiating the price of another 3 phosphoric acid tankers. This has also been approved by the Ship Acquisition Committee and the proposal is being submitted to Government for approval shortly.

#### **Reply of the Government**

The issue has been examined by the Ministry of Surface Transport in detail and found the reasons why the number of shipyards responding was

more or less the same under both systems were the following:—

- (i) Even when the SCI was following the limited tender system prior to 1985, the Corporation was covering the major ship builders in all the major shipbuilding areas depending upon the capabilities and experience of the shipyards.
- (ii) In deciding to respond to a tender the shipyards are primarily guided by their order book at that time, their technical capability and (these days) sometimes also by their ability to offer attractive financing terms.
- (iii) Due to the deep and prolonged recession in shipping from the late 70s onwards, there has been substantial restructuring and rationalisation in world ship-building capacities. This has also involved closure of several shipyards. According to some estimates the world ship-building capacity has come down by about 20 per cent.

In recent global tenders invited by the SCI, the No. of shipyards that have responded have varied from 3 to 10 depending on the type of vessel for which tenders have been invited. Under the present system there are no constraints on shipyards responding to SCI Tenders. Whether they will respond to a tender enquiry or not will depend on a commercial decision taken by the shipyard's management.

[Ministry of Surface Transport, 'O.M. No. H-11013/1/88-SY II dated 2.6.89]

#### **Comments of the Committee**

[Please see para 9 of Chapter I of the Report]

#### **Recommendation Serial No. 16, Para Nos. 3.80 to 3.82**

The Company acquired two very Large Crude Carriers (VLCCs), Kanchanjunga and Koyali of 2.77 lakh DWT each from Yugoslavia in September, 1975 and February, 1976 respectively but both these vessels are now being used mainly as storage tankers. Due to frequent breakdowns, the Company had to instal four independent diesel generating sets at a cost of Rs. 95.82 lakhs in the first vessel in 1981-82 and Rs. 95.74 lakhs in the second vessel in 1982-83, respectively. The Company incurred heavy losses perpetually on these ships and the total loss suffered by the Company on account of these ships during the years 1979-80 to 1983-84 was of the order of Rs. 33.61 crores. There was a marginal profit of Rs. 0.57 crore in 1984-85 but in 1985-86 the vessels again incurred a loss of Rs. 1.04 crores.

An examination of the operational results of these vessels carried out by Audit had revealed that in addition to the slump in the tanker market following acquisition of the VLCCs the other factors which contributed to their losses were:—

- (a) The company had estimated that these vessels would be on off-hire for dry docking and repairs for a maximum period of 20 to 27 days each year in the first 4 years of operation and 30 days thereafter but

the actual out-of-employment period ranged from 19 days to 155 days.

- (b) Unusually high expenditure of Rs. 1111.42 lakhs till 1982-83 on account of accidents of these newly built vessels.
- (c) The size of VLCCs is an inhibiting factor in obtaining better rates while fixing them in the market as generally size of such tankers ranges from 2,00,000 to 2,50,000 DWT which is the most suitable size for the VLCCs.

The Committee are distressed to find that even when there was a considerable demand for VLCCs in the market, the two VLCCs (Kanchanjunga and Koyali) of SCI were unable to take advantage of the situation because of their larger dead weight and draft vis-a-vis other VLCCs and as a result they have been incurring heavy losses continuously. The Committee, therefore, strongly urge that SCI should consider ways and means to utilise these two VLCCs gainfully and make them commercially viable. If these cannot be usefully deployed then the company should consider the feasibility of disposing them of so as to save itself from further losses on account of these vessels.

#### **Reply of the Government**

Kanchanjunga and Koyali were basically acquired for transporting crude for the Koyali and Mathura refineries. Unfortunately, however, when the vessels were delivered to the SCI the Mathura Refinery was not ready and therefore a problem arose about the employment of these vessels. The problem was further aggravated due to the collapse of the tanker freight market. Consequently, the operation of these vessels resulted in heavy losses between 1975-76 and 1983-84 (except Koyali during 76-77, and 82-83 when she could be utilised for crude oil transportation for Indian refineries).

It may be mentioned that while acquiring the VLCCs the SCI had received two offers—one from Japan and the other from Yugoslavia. The offer from Yugoslavia was considerably cheaper than the offer from Japan. However, the dimensions of the shipbuilding dock in the Yugoslavian shipyards were such that only a deeper drafted vessel could be built for the given deadweight. Consequently, the SCI had two alternatives—either to go in for a deeper draft vessel so as to take advantage of the larger available dead-weight, whenever possible or to build a ship of a lesser deadweight and a correspondingly lesser draft. The SCI consciously chose the first alternative so as to take advantage of the higher deadweight whenever the opportunity presented itself.

It has been the endeavour of the SCI to induct these vessels into the national oil transportation circuit as far as possible with a view to make them commercially viable. However, the volume and the pattern of the

national oil trade could not provide employment to these two units for sizable periods upto 1981-82. This scenario has been undergoing changes thereafter and it has been possible to utilise these vessels in the Indian oil circuit for considerable periods since 1984-85. The following tables shows the Financial results of VLCCs since 1984-85.

*Financial Results of VLCCs (Rs. In Lakh)*

Year	Total
1984-85	+ 57.22
1985-86	+ 102.05
1986-87	+ 99.46
1987-88	+ 398.23
(Provisional)	

From the above table it would be observed that for the last four years the two VLCCs are earning profits.

**Audit's Observations**

The actual figures as per voyage results of VLCCs are as follows:—

Year	Voyage results of VLCCs (Rupees in Lakhs)
1984-85	(+) 57.22
1985-86	(-) -104.58
1986-87	(-) 98.49

**Reply of Government on Audit's Observations**

Under the crude oil transportation contract with Indian oil industry on cost plus basis, the freights and demurrages paid in respect of voyages performed during the year are on provisional basis. Only after the finalisation of the accounts, the actual costs of transportation are worked out and cost differential, if any, is recovered from the oil industry on submission of audited statement of accounts. After taking into account the cost differential recoverable from the oil industry in respect of years 1985-86 and 1986-87, the operations of the two vessels together have produced positive results. The details of operational results with and without year-

end cost differential for the year 1985-86 and 1986 87 are given below:—

(Rupees in Lakhs)

	Operational result without taking into account cost differential	Cost Differential	Operational Result after taking into account cost differential
<b>1985-86</b>			
Kanchenjunga	(+) 103.14	(+) 74.98	(+) 178.12
Koyali	(-) 207.71	(+) 131.64	(-) 76.07
	(-) 104.57	(+) 206.62	(+) 102.05 (provisional)
<b>1986-87</b>			
Kanchenjunga	(-) 7.02	(+) 126.65	(+) 119.63
Koyali	(-) 91.45	(+) 48.63	(-) 42.82
	(-) 98.47	(+) 175.28	(+) 76.81 (Provisional)

The figures of the combined financial results for 1986-87 of two VLCCs have now been revised from (+) Rs. 99.46 lakhs to (+) Rs. 76.81 lakhs (provisional) These are based on audited figures and would be final subject to acceptance by Oil Coordination Committee.

[Ministry of Surface Transport O.M. No. H—11013/1/88-SY II, dated 2-8-89]

#### Comments of the Committee

[Please see para 27 of Chapter I of the Report]

## CHAPTER V

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

#### **Recommendation Serial No. 12, Para Nos. 3.72 to 3.74**

The Committee find that there is no scheme for cargo support for Indian vessels at Indian ports as is the practice followed in many countries in the world, including Sri Lanka and Bangladesh. The Committee, therefore, feel that in order to get the Indian Shipping enough cargo no less urgent is the need to ensure compulsory support to Indian ships through a legislation so that Indian Shipping Industry shall remain in business.

While supporting the scheme for cargo support for Indian vessels, the Secretary of the Ministry stated during evidence:

“We have been pressing for some arrangement for cargo support for Indian vessels for quite some time. There is a U.N. Code which says that countries can have arrangements by which we can distribute the cargo in proportion of 40:40, i.e. 40% for ships of exporting country and 40% for ships of importing country and 20% for third country vessels. In fact, we went to the Cabinet sometime in January, 1986 with a proposal to initiate a legislation by which shippers will be compelled to carry a minimum of 40% in Indian vessels for the export trade.... We are asking for a share of 40% minimum.”

In this connection, the Secretary of the Ministry of Surface Transport also informed the Committee that the Commerce Ministry has strongly opposed the idea of compulsory cargo support on the plea that “if we are compelling the exporters to export through Indian vessels, it may act as a damper on exports.” The Committee desire that the Surface Transport Ministry and the Ministry of Commerce must sort out the differences on this account and come to the aid of Indian Shipping Industry without delay. The Committee recommend that the proposed legislation on cargo support should be enacted at the earliest. Not surprisingly, the Government is taking its own time to settle this matter. The Committee desire that till such time the issue is decided, Government should ensure that at least Public Sector carries its cargo by SCI or other Indian Shipping Vessels.

#### **Reply of the Government**

The U.N. Convention on Code of Conduct for Liner Conferences enunciates the 40:40:20 formula, under which the National Shipping Lines are entitled to a share of 40% each in their national trade, leaving balance



20% for third country lines. Though the Ministry of Surface Transport is in favour of implementing this provision by means of a Parliamentary Legislation, apprehensions have been raised in many quarters that this will adversely affect India's export trade. This matter has been under discussion at different fora, i.e., Committee of Secretaries, Group of Ministers, Cabinet etc. In view of the formation of the new Government, the matter requires to be submitted to the Cabinet again. Draft Note for the Cabinet has been circulated to various Ministries on 9.3.90. Comments of the concerned Ministries / Departments except Ministries of External Affairs and Law have since been received.

2.1 The Shipment of Government owned / controlled cargoes against FOB imports and C&F exports are arranged by the Chartering Wing, (Transchart) of the Ministry of Surface Transport. As a matter of general policy, the Chartering Wing gives preference to employment of Indian vessels (SCI as well as other Indian Shipping Companies) in carriage of cargoes for which shipping arrangements are made by the Wing. Foreign vessels are fixed only if suitable Indian ships are not available in the required position. As regards general liner cargoes moving in small quantities, which are usually shipped by conference lines vessels, Government of India have entered into agreements with the conference covering the trade from UK / Continent to India and US Atlantic and Gulf Ports to India which provide for additional rebate on Governmental cargoes and Government of India is obliged to arrange shipment by the respective conference member lines vessels. Indian shipping companies are also members of these conference and all out efforts are made to arrange shipment by Indian member lines vessels to the maximum extent possible. India has also entered into bilateral agreements with some countries like USSR, GDR, etc. for sharing of cargoes between the two countries by the national flag vessels of the two countries on the basis of parity.

2.2 As regards contracts for imports finalised on C&F basis and for exports on FOB basis, shipping arrangements are in the hands of the foreign sellers or buyers as the case may be. However, there are instructions which enjoin the Government Department / Project to make efforts to provide suitable shipping clause in such contracts for utilisation of Indian vessels.

2.3 As mentioned above, there are already instructions to ship Public Sector cargoes through vessels of SCI or of other Indian shipping companies wherever shipping arrangements are to be made by Transchart.

[Ministry of Surface Transport O.M. No. H-11013 / 1 / 88-SY II dated 20.6.1990]

#### **Comments of the Committee**

[Please see para 19 of Chapter I of the Report]

#### **Recommendation Sl. No. 19, Para No. 3.86**

The Committee have noted that the services at Andaman and

Lakshadweep are being run by Shipping Corporation of India at the instance of Government on low tariff due to socio-political consideration, entailing huge losses which do not cover even the operating expenses of Shipping Corporation of India. Therefore, the Committee recommend that, in order to help Shipping Corporation of India to meet its operational expenses and to reach the break even level, the Government should consider the feasibility of increasing to some extent the passenger and freight tariff which are abnormally low at present.

### Reply of Government

The position regarding revision of passenger and freight tariff to Shipping Services to Andaman and Nicobar Islands and Lakshadweep Islands is given below:—

#### *I. Shipping Service from Mainland to Andaman and Nicobar Islands*

##### *Passenger Fares:*

The passenger fares were revised with effect from the 1st June, 1988. The bunk class fares were increased by 25% and saloon class fares by 50% over and above the fares last revised in 1978, while the percentage of increase required for break-even results was 548% based on the estimates for the year 1986-87.

##### *Freight rates:*

The freight rates were last revised by the Government with effect from the 1st April, 1985. The increase approved in the freight rates over and above the then existing rates was about 120% in the case of Timber, 50% in the case of F.C.I. items and other products, 25% in the case of other consumer goods and about 78% in the case of Match splints. This was against the general freight increase of 141.6% requested by the Indian Coastal Conference on the basis of audited figures of actual losses for cargo only. The question of further increasing the freight rates was considered by the Shipping Rates Advisory Board on the 9th September, 1987 but the Board did not recommend any further increase in cargo freight. The question of further revision of passenger fares and freight rates was considered afresh by Shipping Rates Advisory Board in its meeting held on 15.2.90. Based on the recommendations of SRAB, the detailed proposals for revision of passenger fares and freight rates are awaited from Shipping Corporation of India Ltd.

#### *II. Shipping Service from Mainland to Lakshadweep Islands:*

On the basis of the recommendations made by Shipping Rates advisory Board, the Shipping Corporation of India submitted in May, 1988 proposals to the Ministry of Surface Transport in regard to the revision of passenger fares and freight rates on this sector. As desired by the Lakshadweep Administration, the proposals have been further considered by SRAB in its meeting held on 15.2.90. The detailed proposals are awaited from SCI.

[Ministry of Surface Transport G.M. No. H-11013 / 1 / 88-SY II Vol. (V)  
dated 20.6.1990]

**Recommendation Serial No. 21, Para Nos. 4.18 to 4.19**

The Committee note that SCI operates container services with COMBI type vessels capable of handling both breakbulk and containerised cargo. The company has a container fleet of 32 vessels with a total container capacity of 10,789 Twenty Ft, equivalent Units (TEUS). The SCI is also reported to have resorted to short term policy of chartering cellular vessels to meet its requirements.

While examining the aspect of containerisation, the Committee on Public Undertakings (1981-82) had *inter-alia* commented that although SCI was operating container service on 6 liner routes with COMBI vessels it had not got so far cellular container ships which are specifically suited for container traffic and the same should be acquired by SCI. The Committee are unhappy to point out that its recommendation has not been implemented even after a lapse of six years.

**Reply of the Government**

The SCI has been making extensive efforts to acquire fully cellular container vessels through new building as well as second hand purchase. However, for various reasons including financial viability of offers received the SCI has so far been unable to finalise acquisition of fully Cellular vessels.

The proposals of SCI for acquisition of three 1450 TEU Container vessels could not be finalised before the expiry of the validity of the offers. SCI would be submitting fresh proposals to Government in this regard. SCI has also submitted a proposal for jumboisation of their twelve COMBI vessels (container carriers) and is under active consideration with the Government. This will enable SCI to expand the container carrying capacity of these twelve ships. The project is pending consideration by the public Investment Board.

[Ministry of Surface Transport O.M. No. H-11013 / 1 / 88-SY II (Volume II) dated 20.6.1990]

**Comments of the Committee**

[Please see para 31 of Chapter I of the Report]

NEW DELHI;  
6 September, 1990  

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15 Bhadra, 1912 (Saka)

BASUDEB ACHARIA  
Chairman,  
Committee on Public Undertakings.

## APPENDIX I

*Minutes of the 7th sitting of Committee on Public Undertakings held on 8 August, 1990.*

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The Committee sat from 15.00 Hrs. to 16.30 Hrs.

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### PRESENT

Shri Basudeb Acharia—*Chairman*

### MEMBERS

2. Shri Manoranjan Bhakta
3. Shri Narsingh Rao Dixit
4. Shri Bal Gopal Mishra
5. Shri R. Muthiah
6. Dr. A.K. Patel
7. Shri Piyus Tiraky
8. Shri Hukumdeo Narayan Yadav
9. Shri Dipen Ghosh
10. Prof. Chandresh P. Thakur

### SECRETARIAT

1. Shri R.L.L. Dubey—*Joint Secretary*
2. Smt. P.K. Sandhu—*Under Secretary*
3. Shri N.M. Jain—*Under Secretary*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

SHRI K.S. MENON—MEMBER SECRETARY, AUDIT BOARD

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2. \*\* \*\* \*

3. The Committee then took up for consideration Memorandum No. VI and the Action Taken Report on 44th Report of Committee on Public Undertakings (1987-88) on Shipping Corporation of India Limited. While adopting the Report, the Committee desired that replies of the Government to recommendation at Sl. No.3 (Paragraphs 2.66 and 2.67) of 44th Report may not be accepted and put in Chapter IV, instead of under Chapter III, and commented upon in their Action Taken Report.

4. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by the concerned Ministry / Undertaking and Audit and to present the same to Parliament.

*The Committee then adjourned.*

## APPENDIX II

(Vide Para 3 of Introduction)

*Analysis of action taken by Government on the recommendations contained in the 44th Report of the Committee on Public Undertakings (Eighth Lok Sabha)*

I. Total number of recommendations	30
II. Recommendations that have been accepted by the Government (Vide recommendations at Sl. Nos. 1,2,4-11, 13-14, 17, 18, 20, 22-25 & 27-30) .....	23
Percentage to total .....	76.67%
III. Recommendations which the Committee do not desire to pursue in view of Government's replies (Vide recommendations at Sl. Nos. 15 and 26).....	2
Percentage to total .....	6.66%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide recommendations at Sl. Nos. 3 and 16).....	2
Percentage to total .....	6.66%
V. Recommendations in respect of which final replies of Government are still awaited (Vide recommendations at Sl. Nos. 12, 19 & 21).....	3
Percentage to total .....	10%