

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1972-73)**

(FIFTH LOK SABHA)

TWENTY-NINTH REPORT

**Action taken by Government on the recommendations
contained in the Twentieth Report of the Committee
on Public Undertakings (Fifth Lok Sabha)**

SHIPPING CORPORATION OF INDIA LTD.

(Ministry of Shipping & Transport)



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1973/Phalguna 1894 (S)

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<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
22	23-24	"The National Shipping Board, at its meeting held on the 15th June 1972, has appointed a sub-committee headed by Mr.H.M. "	"The Committee find that the net profit earned by the Corporation during 1968-69 and 1969-70 was only Rs.4.89 crores and Rs.5.51"
23	26	lines	liner
24	3	outstanding	outstandings
24	19	building	billing
25	6 from bottom	there in	therein
26	Bottom	Para No. 2.35	Para No. 2.56
27	11	are	and
27	26	Para 2.20 occurring after the words "Reply of Government", may be brought at the end of Recommendation (Sl.No.13)	
27	4 from bottom	Serial Nos. 18&18	Serial Nos. 18 and 19
28	Footnote (line 1)	verifications	verification
28	Footnote (line 3)	remained	renamed
28	Footnote (line 4)	said	sail
31	11	Delete the word "to" occurring after the word "inspect"	
31	17	Aachitects	Architects
33	13	carries	carriers
37	14	Delete the word "to" occurring after the word "perhaps"	
38.	21	allow	allowance

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CORRIGENDA

Twenty-ninth Report of the Committee on Public Undertakings (1972-73) on the Action Taken by Government on the recommendations contained in the 20th Report of CPU on Shipping Corporation of India Ltd.

<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
Title page	14	Rs,	Re.
Contents page	7	page '21'	4
"	16	page '4'	40
2	2 from bottom	"constituting Board Directors	reconstituting Board of Directors
4	10	After the word 'gap', add "of about 6.23 lakh tonnes to be made up before the end of the"	
7	4 from bottom	after the words "with a view"	add the word "to"
8	2 " "	careful	carefully
11	7	VICCS	VLCCs
11	9	After the word "acquisition"	Add "of"
13	1	Coordination	coordination
13	21	occasionally	occasionally
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17	11	'o'	to
18	25	drought	draught
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19	Footnote	verifications	verification
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COMMITTEE ON PUBLIC UNDERTAKINGS
(1972-73)

CHAIRMAN

Shrimati Subhadra Joshi

MEMBERS

2. Shri Dinen Bhattacharya
3. Shri G. Bhuvarahan
4. Dr. Kailas
5. Shri Murasoli Maran
6. Dr. Mahipatray Mehta
7. Shri S. N. Misra
8. Shri Amrit Nahata
9. Shri P. Parthasarathy
10. Shri Ranen Sen
11. Shri Lal K. Advani
12. Shri M. Kamalanathan
13. Shri U. N. Mahida
- *14. Chaudhary A. Mohammad
15. Shri D. P. Singh.

SECRETARIAT

Shri M. A. Soundararajan—*Deputy Secretary.*
Shri M. N. Kaul—*Under Secretary.*

*Died on 7th February, 1973.

**COMPOSITION OF THE STUDY GROUP ON ACTION TAKEN
REPORTS AND MISCELLANEOUS MATTERS**

Shrimati Subhadra Joshi—*Chairman.*

2. Shri Amrit Nahata—*Alternate Convener.*
3. Dr. Kailas
4. Shri S. N. Misra
5. Shri P. Parthasarathy
6. Shri G. Bhavarahan
7. Shri D. P. Singh
8. Shri Lal K. Advani
9. Shri U. N. Mahida
10. Shri Ranen Sen.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf present this Twenty Ninth Report on Action Taken by Government on the recommendations contained in the Twentieth Report of the Committee on Public Undertakings (5th Lok Sabha) on the Shipping Corporation of India Ltd.

2. The Twentieth Report of the Committee on Public Undertakings (5th Lok Sabha) on the Shipping Corporation of India Ltd. was presented to Lok Sabha on the 27th April, 1972. The replies of Government to the recommendations contained in the Report were received during the period from 18th November, 1972 to 14th March, 1973. The replies vetted by Audit were not however, received.

3. The replies of Government to the recommendations contained in the aforesaid Report were considered by the Committee on Public Undertakings on the 15th March, 1973. The Committee authorised the Chairman to finalise the Report on the basis of the decisions of the Committee and present it to Parliament.

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

- (i) Report
- (ii) Recommendations that have been accepted by Government
- (iii) Recommendations which the Committee do not desire to pursue in view of Government's replies
- (iv) Recommendation in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which final replies of Government are still awaited.

5. An analysis of the Action Taken by Government on the recommendations contained in the Twentieth Report of the Committee is given in the Appendix. It would be observed therefrom that out of the total number of recommendations made in the Report 67.6 per cent have been accepted by Government. The Committee do not desire to pursue 23.5 per cent of the recommendations in

view of Government's replies. Replies of Government in respect of 6 per cent of the recommendations have not been accepted by the Committee. Final reply in respect of 2.9 per cent of the recommendations is still awaited.

NEW DELHI;

SUBHADRA JOSHI,

March 23, 1973

Chaitra 2, 1895 (S)

CHAIRMAN,
Committee on Public Undertakings

CHAPTER I

OPERATION-COASTAL SERVICES

(Agency Services)

Recommendation (Serial No. 21) Paras 6.1 to 6.12

Keeping in view the heavy losses suffered by Government on the operation of its vessels on the service between Mainland and Andaman and Nicobar Islands, the Committee on Public Undertakings in their Third Report in April, 1965 had observed that the arrangement under which only the operation of the vessels was looked after by the Corporation and the entire expenses incurred were re-imbursed by Government, would leave little incentive to the Corporation to ensure whether the service was being run as efficiently and economically as it should. The Committee, therefore, desired that these arrangements should be reviewed in the light of the observations made by it and the operational control of the agency services between Mainland and Andaman and Nicobar Islands be transferred to the Shipping Corporation of India Ltd.

2. In their reply in September, 1967, the Government stated that they had decided that the complete operational control over these services would be transferred to the Shipping Corporation of India Ltd.

3. In their Twentieth Report (1971-72), Fifth Lok Sabha the Committee regretted to note that inspite of the above decision, even after the lapse of four years, the complete operational control over these services had not been handed over to the Corporation. The Committee took a serious view of the delay in the implementation of the recommendation of the Committee which was accepted by the Government as far back as 1967.

4. In their reply to the above recommendation of the Committee, Government have stated that the Corporation has established an office of its own at Port Blair which has started functioning and attending to all operational problems of this service with effect from 3rd July, 1972.

5. The Committee note that the Government have taken about five years to implement the recommendation of the Committee

which was made by them as far back as 1965 and accepted by Government in September, 1967 and it is only in July, 1972 that Government are implementing the recommendation. The Committee regards this inordinate delay in implementing the Committee's recommendation as a serious failure on the part of Government. The Committee would stress that Government should ensure that such inordinate delays do not recur in future.

ORGANISATION

Board of Directors

Recommendation (Serial No. 34)—Para 9.10 to 9.14

6. In their Third Report (April, 1965), the Committee on Public Undertakings (Third Lok Sabha) had recommended that apart from the fact that a retired official would have more time to devote to the affairs of the Corporation than a serving official, they did not think that he would be able to bring in an approach radically different from that of an official as could be expected of a non-official. The Committee, therefore, considered that it was desirable to associate a few prominent non-officials who had knowledge of the problems of shipping industry on the Board of Directors of the Corporation.

7. In their reply in September, 1967 to this recommendation the Ministry had stated that Government had noted the recommendation of the Committee and would keep the same in view while making future appointments.

7. In their Twentieth Report (1971-72), the Committee regretted to note that in spite of the acceptance by Government of the recommendation of the Committee, two out of four non-official Directors on the Board of Directors of the Corporation, were retired Government officials and there was no member on the Board having experience of the shipping industry. The Committee, while reiterating their earlier recommendation, suggested that a few prominent non-officials who had knowledge of the problems of shipping industry might be represented on the Board of Directors of the Corporation.

9. In their reply dated 8th September, 1972 to the above recommendation of the Committee, Government stated that "it is regretted that the recommendation of the Committee was overlooked in the past. This will be kept in view while constituting Board Directors for Shipping Corporation of India."

10. The Committee regret to note that an important recommendation of the Committee which was accepted by the Ministry as far back as September, 1967 was never actually implemented by them. It is difficult to accept that the recommendation was unwittingly "overlooked" as suggested in the reply. The Committee take serious view of the disregard of their recommendation. The Committee expect that their recommendation shall be implemented while re-constituting the next Board of Directors.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee note as against the provisional physical target of 40 lakhs GRT by the end of the Fourth Five Year Plan in the Country, the country has a total tonnage of 25.09 lakhs GRT by 31st March, 1972. Besides there are firm pending orders of 57 ships of 11.71 lakhs GRT. After excluding 2.94 lakhs GRT for scrapping the country's net tonnage would come to 33.37 lakhs GRT leaving a gap Fourth Plan. The Committee were informed that the main difficulties in the way of building up of country's tonnage to the targetted level are that there has been a boom in the shipyards of the world and they are unable to cope with the growing requirements of tonnage; secondly, the price of ships has shot up during the last three years and thirdly, shipyard now insist on cash payment. The Committee do not consider these difficulties as unsurmountable and recommend that concerted measures may continue to be taken by Government to ensure that the target of country's tonnage of 40 lakhs GRT is achieved by the end of the Fourth Plan.

Para 2.4.

Reply of Government

Noted. The position of the national tonnage as on 1-10-1972 is as under:

	Lakhs G.R.T.
Operative tonnage	25.87
Expected scrapping by 31-3-74	(—) 2.18
Balance	23.69
Tonnage firmly on order	14.98
Total	38.67

Since 1-10-1972 acquisition of two second hand vessels of 20,000 G.R.T. has been approved. Thus only 1.13 lakh G.R.T. has to be acquired or ordered during the remaining 1-1/2 years of the current plan to attain the 4th Plan target of 40 lakhs G.R.T. Thus we are on the threshold of achieving the 4th Plan target.

[Ministry of Shipping & Transport (Transport Wing) New Delhi O.M. No. SY II—17(3) |72 dt. 21-11-1972.]

Recommendation (Serial No. 2) .

The Committee note that the Shipping Corporation of India has made a substantial contribution to the development of country's tonnage. In terms of percentage as at the end of 1971-72, the Shipping Corporation's tonnage accounts for 35.25 per cent of country's tonnage as against the public sectors contribution of 48.93 per cent. The Corporation had drawn up its own five year plans synchronising with country's five year plans. Over a period of ten years (1961—71), the Corporation has raised its fleet from 17 ships of 1.26 lakhs GRT as on 31-3-1961 to 77 ships of 8.66 lakhs GRT as on 31-3-1971, and at present its fleet consists of 79 ships of 8.85 lakhs GRT representing an increase of about 602 per cent over the Corporation's tonnage in March, 1961. While the Committee are happy at this pace of expansion, they find that though the Corporation had in their second plan fixed a target of 12.28 lakhs GRT to be achieved by 31-3-1971 and a total tonnage of 15.4 lakhs GRT by 1975, the Corporation's tonnage as on 1-2-72 was only 79 ships of 8.85 lakhs GRT. There was thus a shortfall of 28 per cent in achievement of target of tonnage leaving an appreciable gap between the targetted and actual tonnage of the Corporation. The Committee were informed that the shortfall was mainly due to non-availability of deferred payment facilities. The Committee have also been informed that Corporation would be able to fulfil the target of 15.47 lakh GRT by 1975 for which orders had been placed for 31 ships of 6.62 lakhs GRT. Out of these, 3 ships are expected to be delivered in 1972; 14 vessels in 1973, 8 vessels in 1974 and 6 vessels in 1975.

The Committee recommend that whatever might have been the shortfall in achievement of targets in the past, the Corporation should gear up its machinery suitably and take appropriate action at all levels to achieve the targetted tonnage of 15.47 lakhs GRT by 1975. The Committee recommend that Government should provide all facilities to the Corporation in this regard and also keep

a watch on the progress of construction of ships so that the delivery schedules as agreed upon are adhered to and the Corporation is able to acquire the vessels in time.

(Paras 2.20 and 2.21)

Reply of Government

In January 1972, the Corporation's owned tonnage stood at 8.85 lakh GRT and in addition, it had on firm order 31 ships of a total GRT of 6.65 lakh. Since then, the Corporation acquired one new cargo liner, sold one cargo liner to Bangla Desh Shipping Corporation, lost one cargo ship in the "Bay of Bengal" and disposed of 2 old ships for scrap. Since January 1972, the Corporation also placed additional orders for 6 tankers in Japan and 2 product carriers in Yugoslavia of a total tonnage of 3.54 lakh GRT. Thus, in September, 1972, in addition to the owned tonnage of 8.63 lakh GRT, the Corporation had on order 39 ships of a total GRT of 10.19 lakh. All the ships on order are expected to be delivered by 1975. Thus, on the basis of the tonnage already acquired and the firm orders already placed and taking into account the tonnage proposed to be scrapped by 1975, it can be stated that the Corporation's owned tonnage by 1975 would exceed 19 lakh GRT as against 15.47 lakh GRT expected to be achieved earlier.

The Committee's recommendation that the Government should provide all facilities to the Corporation to achieve the targetted tonnage has been noted.

[Ministry of Shipping & Transport (Transport Wing) New Delhi,
O.M. No. SYII—17(3)/72 dt. 5-12-72.]

Recommendation (Serial No. 3)

The Committee consider that while there might have been good reasons in the earlier years for the Corporation to go in for secondhand ships, the position has changed considerably now as the Shipping Corporation is one of the biggest shipping lines not only in India, but in the world. It should certainly now be possible for the Corporation to decide in the light of experience about the type and size of ship and whether it should be new or old having regard to the operational requirements, the running and maintenance, cost depreciation, efficiency and economy of operations. The Committee recommend that the Corporation should draw up a phased programme for replacement of the old ships which are found to

be uneconomic so that these can be disposed of at a most opportune time to the financial advantage of the Corporation.

(Para 2.28)

Reply of Government

The Corporation has drawn up a programme for the replacement of its old and uneconomic units. 12 ships would be replaced by the end of the Fifth Plan period.

[Ministry of Shipping and Transport (Transport Wing) O.M. No. SY—II—17(3)|72 dated 18th November, 1972].

Recommendation (Serial No. 5)

The Committee consider that there should be close liaison and understanding between the Shipping Corporation of India and the Hindustan Shipyard and Mazagon Dock Ltd. so that the latter can take up the building of ships in accordance with the requirements of the Corporation and in the light of the latest technological developments. They suggest that a high-powered Committee having representative of the Shipping Corporation and other shipping interests and Hindustan Shipyard and Mazagon Dock Ltd. may be constituted by Government in order to provide guidance and resolve without delay all problems regarding building of ships.

(Para No. 2.42)

Reply of Government

Government agree with the recommendation.

A Standing Committee for co-ordinating the activities of the Public Shipyards is already functioning with Secretary as Chairman, and high officials of the other concerned Ministries including the Planning Commission, and the Managing Directors of the public sector shipyards, as members. The Constitution of this Committee provides that the Committee shall have the power to co-opt any other member as and when required and that the Committee may consult the shipowners, as and when necessary. The Committee is concerned, *inter alia* with review of the programmes of the yards with a view ensuring optimum utilization of the building capacities.

[Ministry of Shipping and Transport O.M. No. SY—II—17(3)|72 dated 18-11-1972].

Recommendation (Serial No. 7)

The Committee note that the percentage of tonnage acquired or to be acquired by the Shipping Corporation of India with Shipping Development Fund Committee loans to total tonnage including tonnage on order was 73.15 as on 31-3-1971; 58.3 in respect of Scindias; 86.4 in respect of Great Eastern; 74.27 in respect of Jayanti and 100 in respect of South India Shipping Corporation. The Committee were informed that though the percentage of utilisation of loans from S.D.F.C. by the Shipping Corporation of India was considerable as compared with companies like Great Eastern, Jayanti and South India Shipping Corporation, the proportion of tonnage acquired by the Shipping Corporation of India through the S.D.F.C. loan to the total tonnage was the lowest up to 31-3-1969. The Committee, however, note that the percentage of tonnage acquired by the Shipping Corporation from the loans available from the Shipping Development Fund have increased from 39 per cent as on 31-3-1969 to 73.15 per cent on 31-3-1971. The Committee would like Shipping Corporation to make greater use of the financial assistance available from the Shipping Development Fund Committee in order to accelerate the acquisition of additional tonnage to reach the Plan target.

(Para 3.14)

Reply of Government

The Corporation is making full use of the financial assistance available from the Shipping Development Fund Committee in the matter of acquisition of additional tonnage. During the year 1971-72 alone, the total loans drawn by the Corporation from S.D.F.C. amounted to over Rs. 17½ crores.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SYII—17(3)/72 dt. 18th November, 1972].

Recommendation (Serial No 8)

The Committee note that in the international fields, a seller's market has developed and the leading shipyards are not inclined to accept deferred payments. The Committee would like Government to take assistance of World Bank and other international institutions in order to obtain loans on liberal terms for the purposes of purchasing additional tonnage. The Committee would like to stress that the Shipping Corporation should expore careful the possibilities of placing orders on most favourable terms with the Shipyards of

proven standing in the world so as to acquire ships which would give guarantee and trouble-free service. Above all, the Shipping Corporation should pay special attention to the efficient and economic running of ships so as to keep their operating expenses to the minimum.

(Para 3.32)

Reply of Government

The Government have been successful in securing a loan of U.S. \$83 million for purchase of six tankers, from the International Development Agency, the soft lending affiliate of the World Bank. Apart from being the largest loan sanctioned by the World Bank Group for shipping, this is said to be the first loan sanctioned for shipping by the IDA. This loan has been utilised for placing orders for 4 tankers of 87,500 DWT each with the Mitsubishi Shipyard, Japan, and 2 product carriers of 24,114 DWT each with the Trogir Shipyard, Yugoslavia, on most favourable terms. This would mean an addition of about 4 lakh dead weight of shipping tonnage for the country, all of which in tankers in which the country is specially deficient.

There has been a general resistance in Western countries and Japan to give credit facilities to Indian shipping companies. Due to persisting pressures and international forums and at diplomatic levels, it has been possible to get some Aid funds for the purchase of ships in some Western countries. The Corporation took advantage of this opening and ordered 2 bulk carriers of 75000 DWT each in U.K. Similarly, the Yen credit offered by Japan for acquisition of a ship was fully availed of and a bulk carrier of 1,26,000 DWT was ordered with Mitsubishi shipyard Japan. Further, subsequent to placing orders for 4 tankers of 87,500 DWT each with Mitsubishi Shipyard, Japan, utilising the IDA credit, as mentioned earlier, the Corporation took advantage of the possibility of placing a repeat order for 2 more tankers of the same type size viz. 87,500 DWT each with the Mitsubishi Shipyard, Japan. Thus, today, the Corporation has on firm order 6 tankers and 3 bulk carriers of an aggregate dead weight of about 8.01 lakh in Japan and U.K.

To improve efficiency and achieve economy in its operations, the Corporation has taken several measures. The Corporation would keep in mind the recommendation of the Committee in this regard and would continue to take such steps as are necessary to further improve the efficiency and bring in economy in its operations.

{Ministry of Shipping & Transport (Transport Wing) O.M. No. SYII—17(3)/72 dt. 5-12-1972.]

Recommendation (Serial No. 9)

The Committee note that the Shipping Corporation started in October, 1961, essentially as a liner shipping company. Now they have diversified their fleet. The share of cargo liners in the total fleet of the Corporation which was 82 per cent in March, 1962, has gone down to 44 per cent in September, 1971. The share of tankers in the total fleet which was 10 per cent in March 1962, has been raised to 23 per cent in September, 1971. Similarly, the share of bulk carriers in the total fleet has gone up from 8 per cent in March, 1967 to 31 per cent in September, 1971. The percentage of Company's share in the total tonnage of the country in respect of passenger liners, tankers, cargo liners and bulk carriers is stated to be 100 per cent, 61.81 per cent, 46.59 per cent and 26.46 per cent respectively in the overseas services. In the coastal services, the Corporation's tankers, passenger liners, and dry cargo vessels constitute 61.55 per cent, 45.75 per cent and 21.01 per cent of the country's total tonnage. The Committee are glad that the Corporation has thus come to acquire a predominant position in regard to cargo liners, and owns 61.81 per cent of the country's tanker tonnage in addition to 100 per cent international passenger liners. The Committee also find that today the Corporation has emerged as the largest bulk carrier owner (in terms of Dead-weight) in the country and that these bulk carriers are earning substantial foreign exchange for the country in the international tramp market. The Committee, further note that Corporation has yet to resume tramp operation. The Committee recommend that the scope for diversification of the fleet should be kept under close and continuous study by the Government as well as the Corporation in order to keep an eye on the latest trends in the international shipping services and bring about such diversification in the field as may be called for consistent with the country's trade requirements.

(Para 4.9)

Reply of Government

The Corporation has, over the years, considerably diversified its fleet taking into account the latest trends in international shipping. As the Committee has noted, while in March 1962, the cargo liner tonnage constituted 82 per cent of the Corporation's total tonnage, it constituted only about 44 per cent in March 1972, despite a very substantial expansion of the cargo liner fleet. Further, if the Corporation's tonnage now on order is taken into account, it would be observed that more than 86 per cent of such orders is represented by

such specialised ships like giant tankers, ore-oil tankers, bulk carriers etc. When all these ships on order are delivered to the Corporation, the composition of its fleet would be further diversified.

Taking into account the latest trends in international shipping, particularly for the transportation of ore and oil, which are vital to the economy of our country, the Corporation has included in its future tonnage expansion plan, the acquisition of VICCs (very large crude carriers) and slurry carriers. While including the acquisition suitable slurry carriers in its future tonnage expansion programme, the Corporation has taken into account the new technology in the field of ore transportation and the project for export of Kudremukh iron ore in the form of slurry, under the consideration of the Government of India. Similarly, taking note of the latest trend in the liner trades, the Corporation has already ordered six container oriented dry cargo ships with a foreign shipyards.

The Government and the Corporation will continue to keep an eye on the latest trends in international shipping and bring about further diversification of fleet, consistent with the country's trade requirements.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SYII-17(3)/72 dt. 5-12-1972.]

Recommendation (Serial No. 10)

The Committee note that delays at the ports in the case of liner vessels of the Corporation have increased from 1328 days in 1968-69 to 1460 days lost in 1970-71. As a direct result of these delays, fixed expenses on the vessels amounting to Rs. 4.11 crores are stated to have been lost. The Committee are not impressed by the plea of the Corporation that in-port delays are a normal feature of ship operations and that these losses are to a large extent only notional. The Committee recommend that steps should be devised to cut down such in-port delays and reduce the loss of fixed expenses on the vessels.

(Para 4.17)

Reply of Government

The recommendation of the Committee has been noted by the Corporation and the Corporation would like to assure the Committee that it will continue to do everything possible to cut down in-port delays so as to reduce the loss of fixed expenses on the vessels. It

is submitted that the delays mainly arise on account of factors like non-availability of berths, rain and bad weather, labour strikes and shortages, holidays at ports etc. over which the Corporation can hardly exercise any control. However, in those areas which are susceptible to some control like repairs to ships, handling of cargo etc., the Corporation would continue its efforts to cut down the delays to the maximum extent possible. Improved methods of cargo handling like pre-slinging, palletisation, etc. are being progressively introduced at various major ports towards achieving expeditious despatch of ships and reducing port delays and also with a view to cutting down cargo handling costs. Steps have also been taken to improve the maintenance of ships.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SYII-17(3)/72 dt. 30-12-1972.]

Recommendation (Serial No. 11)

The Committee also note that the development of ports in the country had not kept pace with the development of shipping in the country. Though the ports are yet to be developed, the Shipping Corporation of India had gone ahead and ordered large size ships. During evidence, the Committee were informed that two large tankers which the Shipping Corporation of India has, were specifically meant for Madras Harbour. But unfortunately, that harbour had not been ready in time and had fallen behind in schedule. The Visakhapatnam outer harbour is expected to be open to ships of 100,000 tonne capacity by 1974 only. In the second stage, it is expected to be open to ship of 200,000 tonne. Since the existing facilities available at our ports are not adequate to accommodate large size ships, the Shipping Corporation of India had to charter them out. The Committee recommend that development of ports and ordering of ships should go hand in hand so that the Shipping Corporation does not have to lock up its funds in ships which the ports are not able to handle and which, therefore, have to be chartered out. The Government should have an integrated programme for development of shipping fleet and ports consistent with India's export and import trade. The Committee expect Government to ensure that the integrated programme is implemented in accordance with agreed schedule so as to derive the maximum benefit in the overall interest of the country's trade.

(Para 4.18)

Reply of Government

The recommendation of the Committee on Public Undertakings

in this regard is noted. Complete Coordination is being maintained between the shipping and port sectors in the formulation of the Fifth Five Year Plan.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SY II-17(3) |72 dt. 5-12-1972.]

Recommendation (Serial No. 12)

The Committee hope that the Corporation will be undertaking a continuous review of the trade position and consistent with the economic viability, consider taking up new services including one to West Africa in the overall interest of development of Indian Shipping and trade.

(Para 5.10)

Reply of Government

The recommendation has been noted. A sub-Committee of the National Shipping Board is examining the question of introducing additional shipping services from India to the various developing countries. At present the data collected by the Corporation have shown that due to paucity of regular movement of cargoes, a direct liner service from India to West African ports would not only be very uneconomical, but would entail heavy losses to the Corporation. This area is regularly catered to by the Yugoslavs, Bank Line and occasionally by Dutch and Scandinavian Lines, as part of their global operations. In order, however, to cater to the needs of our export trade to West Africa, the Corporation has decided to call some of its ships plying in the India—U.K. Continent and Black Sea and Adriatic Services at West African ports, depending on the cargo offerings. In pursuance of this decision the Corporation has already provided three sailings so far to West African Ports.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SY II-17(3) |72 dt 5-12-1972.]

Recommendation (Serial No. 14)

The Committee find that although bilateral agreements between India and U.S.S.R. and India and Poland provide for equal sharing of cargo between India and these countries both in tonnage as well as freight, the liftings and earnings by Indian Lines have generally been lower than their share, due to reasons beyond their control. The Committee agree that in the circumstances money pool may provide the best guarantee of maintaining parity in letter and spirit in

lifting the cargoes. The Committee would like Government to pursue this objective in the interest of ensuring equal share for lifting of trade cargo by Indian Lines.

(Para 5.34)

Reply of Government

The question of introducing money pool in the bilateral agreements between India and U.S.S.R. and India and Poland has been under discussion with the U.S.S.R. and Polish partners in these trades and they have not accepted the proposal of the Indian side in this regard. The present position is as follows:

(A) U.S.S.R.

This matter was raised with the Soviet side in 1971 during the bilateral discussions. The view of the Soviet side was that they would consider any arrangement other than introduction of a money pool for bringing about definite parity in liftings and earnings between Soviet and Indian partners. The question of introducing money pool would be pursued again if no improvement is found in out liftings and earnings *vis-a-vis* the other partner.

(B) Poland

The Polish Ocean Lines, the National Carriers of Poland, are presently negotiating with the India—Pakistan Conferences for their admission as full-fledged members. Once the Polish Ocean Lines are admitted as full-fledged members of the Conference, the Conference Jurisdiction would be formally extended to Polish ports and the money pool obtaining in the India—Pakistan Conferences, would then automatically apply to this sector also.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SYII—17(3)/72 dt. 5-12-1972.]

Recommendation (Serial No. 15)

The Committee find that there has been large increase in the number of voyage days on some of the sectors specially on India-U.K. and India-Black sea sectors. The Committee were informed that the increase has been as a result of loading and unloading of extra cargo liftings, speed of steel carrying ships being lower, calling on way side ports or ports with very low despatch of cargo. The Committee recommend that it is essential for the economic working of the Corporation to reduce the voyage time by using the appropriate time of

vessel for the nature of cargo lifted, especially for the transportation of steel items. The Corporation should also review their schedules in regard to calling at ports in out-of-the way places keeping in view the trade prospects in such ports.

(Para 5.47)

Recommendation (Serial No. 16)

The Committee also note that overall delays in the ports have increased from 9.3 per cent of the voyage days in 1968-69 to 10.2 per cent in 1969-70. The largest number of days lost was due to berthing delays which were as high as 973 days in 1969-70. The Committee were informed that various measures have been instituted by Government to obviate such berthing delays e.g. expansion of existing ports and construction of new major ports under successive Five Year Plan Programmes and installation of mechanised equipment suited to each commodity.

The Committee recommend that continuous efforts should be made to improve turn-round of ships by bringing down the average voyage days and the delays, at the ports to improve the operating results of the Corporation.

(Para 5.48)

Reply of Government

Since the above two recommendations are inter connected, a combined answer is given below:

The Corporation has noted the Committee's Recommendation that it should use appropriate type of vessel and also renew the voyage schedules keeping in view the trade prospects in order to reduce the voyage time.

The operation of each vessel and each voyage is constantly and continuously watched by the different Line Managers and the performance reported to the Chief Executive. The turn-round of ships which has a vital bearing on the profitability of the voyages is kept under constant watch and all efforts are made to bring it down to the minimum. Rationalisation of sailings and the ports of call and readjusting the tonnage of vessels according to the trade pattern, from time to time, are some of the important steps taken in this direction.

As regards port delays, the number of ships days (both—Indian

and foreign ship days) lost due to non-availability of berths in all the major ports—since 1968-69 are as under:—

Year	No. of ships days lost.
1968-69	10,144
1969-70	6,782
1970-71	4,209
1971-72	3,705

There has thus been, by and large, substantial improvement in the overall situation in regard to ship days lost due to non-availability of berths. It is the intention of the major port authorities and also Government to make continuous efforts to further improve the turn-round of the ships. A substantial part of the delays arise at foreign ports over which neither the Corporation nor the Government of India can have any control. However, the Corporation is making all efforts to reduce delays wherever possible and also bring down the voyages days so as to improve the working results.

The Corporation wish to assure the Committee that it would continue to strive to improve the turn-around of ships keeping in mind the Committee's recommendation in this regard.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SYII—17(3)/72 dated 1-1-1973].

Recommendation (Serial No. 17)

The Committee find that the profits earned by cargo liner services had come down from Rs. 538.86 lakhs in 1967-68 to Rs. 440.12 lakhs in 1970-71.

There had been substantial reduction in the net profits earned on various sectors e.g., India-U.K. Continent, India-U.S.A. (Atlantic), West Coast India-Japan and East Coast India-Australia in 1970-71 as compared to 1967-68. The East Coast India-Japan Service also continued to suffer heavy losses and it incurred a loss of Rs. 13.79 lakhs in 1970-71.

It is significant to note that there has been reduction in profits despite the increase in freight rates on some of the sectors and consequently higher earnings during these years. It is understood that

the reduction in profit is mainly on account of increase of stevedoring and other cargo handling expenses, and change in cargo mix in the country's international trade. Another reason for decline in profits is stated to be substantial reduction in revenue tons carried during 1970-71 as compared to 1967-68 e.g. in case of India-Japan and Calcutta-Australia services. In the case of India-U.S.A. (Pacific) service also which started in 1968-69, the cargo carried has come down from 17074 in 1968-69 to 15648 in 1970-71.

The Committee would stress the imperative need for reducing the operating cost to improve the profitability of the cargo liner services and recommend that steps should be taken to improve earnings by maximum utilisation of capacities and by securing better paying cargo. A constant watch should be kept on the operation of each vessel to achieve the maximum revenue.

(Para 5.60)

Reply of Government

The recommendation has been noted. The Corporation has already initiated necessary measures in the desired direction. A Senior Officer has been appointed to give special attention to the question of effecting economies in cargo handling cost.

In order to achieve better coordination between the Corporation and the other Public Sector Undertakings, like STC, MMTC, with which the Corporation has considerable business connection, a Shipping Trading Coordination Committee has been formed.

The profits earned by the Corporation from cargo liner services in 1971-72 have exceeded Rs. 6 crores indicating considerable improvement over the position in the earlier years.

[Ministry of Shipping & Transport (Transport Wing) O. M. No SYII—17(3)/72 dated 21-11-1972]

Recommendation (Serial No. 20)

The Committee note that two large tankers viz., M.T. Jawaharlal Nehru and M.T. Lal Bahadur Shastri had been acquired in September, 1969 and June, 1970 much earlier than the development of Port facilities and because of the delay in building up of appropriate handling/servicing facilities at the ports, the two big tankers had to be chartered to foreign oil companies, while the crude was brought to India in foreign ships. The Committee regret to observe:

the lack of synchronisation between the development of port facilities and acquisition of the tankers. The Committee would stress the need for developing necessary facilities without delay in the major ports so that the Indian tankers could be used for bringing crude to the country.

Meantime the Committee note the assurance given by the Corporation that they had made much better profits by chartering these ships away because at that time the market was good and the rates were lower and it would not have made that much profit here.

(Para 5.82)

Reply of Government

The position in respect of various major ports where facilities are being provided for accommodating large sized tankers is as under:

Calcutta Port

The new oil jetty at Haldia has not been able to cater to large tankers as yet because of draft limitations. Delay in supply of adequate headwater from Farakka and in the procurement of second estuarian dredger has affected the early availability of deep draft suitable for large tankers at Haldia. River training works, which have been underway now, are however, showing some improvements in the river.

The estuarian dredger provided under the Fourth Five Year Plan Programme has been ordered on M/s. Garden Reach Workshops on the 15th July, 1971 for delivery by 15th July, 1974. Forecasts of increase of drafts at Haldia were made on the basis of availability of this dredger by this date. According to this forecast, a drought of 40 ft. was to be available in 1980 which would be able to cater to tankers of 75,000 DWT.

Bombay Port

The port authorities have already upgraded the oil jetties No. 1 and 3 at Butcher Island which can now take in tankers of 55,000 DWT or upto 70,000 displacement tonnage approximately. A proposal to construct a fourth jetty at Butcher Island which will have an estimated capacity to take in tankers upto 80/100,000 DWT or 100/130,000 displacement tonnage is under consideration.

Madras Port

The oil dock on the North of the existing harbour was to be formed by two breakwaters one on the North side and the other on the East. These breakwaters were to be formed by prefabricated steel caissons, floated out, sunk at site and filled. During execution of the work, the caissons could not be sunk in line or level with the result there was large gaps between them. Some of these collapsed, while some others got badly tilted. These difficulties were gone into in detail and remedial measures to strengthen the caissons by providing adequate aprons and armouring layers were recommended. The work has been completed on these lines except for a small portion of the eastern breakwater which has since been taken up and is in progress. This is expected to be completed by the end of this year. The oil jetty which can cater upto 100,000 DWT tankers has also been commissioned in September this year.

Further dredging to cater to tankers 'Jawaharlal Nehru' and 'Lalbhadur Shastri' is expected to be completed by January 1973*.

These tankers could for the present be handled in the oil dock between mid January and October. During the present North East Monsoon months of October—January, height of waves in the oil dock and the extent of protection available for these vessels is proposed to be studied at site for taking up further works as necessary to receive these vessels during the monsoon months as well.

Cochin Port

An investment decision to construct an oil dock to cater to the requirements of the deep drafted oil tankers of 80,000 DWT with 40 ft. draught for serving the Cochin Refinery was taken in 1969. Tenders had been received for dredging the dock basin and approaches and were under consideration. Meanwhile representations were received from many quarters for locating the oil dock at an alternative site. On the basis of the technical investigations conducted at the Central Water Power Research Station, Poona, the Consultants of the Port M/s. Engineers India Ltd. have prepared a preliminary Report on the feasibility of locating a new oil berth for deep drafted tankers in the Belghatty channel.

Visakhapatnam Port

In view of the world wide trend towards employment of large sized vessels, the Port has taken up the construction of the Outer

*At the time of factual verifications, the Shipping Corporation of India Ltd. informed as follows:—

"The new oil terminal in Bharati Dock was Commissioned on 4th February, 1973 and the first Indian tanker, 'M. T. Jawaharlal' was berthed there, having brought crude oil for Madras Refinery".

Harbour, which after being commissioned in May, 1974, will enable the Port to accommodate 100,000 DWT vessels initially and 200,000 DWT vessels ultimately.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SYII—17(3)/72 dt. 30-12-1972].

Recommendation (Serial No. 22)

The Committee have been informed of the recent decision of Government that losses upto 80 per cent sustained by the Corporation on the services operated with the vessels owned by the Corporation between mainland and Andaman and Nicobar Islands would be reimbursed to them. The Committee would like the working of this arrangement to be reviewed after two years to see what economies could be effected in the interest of reducing the losses. The Committee would also stress that the Shipping Corporation should popularise their services as the Andaman and Nicobar Islands have great potentialities as tourist resorts. The Committee feel that with the development of traffic it should be possible to reduce the losses.

(Para 6.13)

Reply of Government

First part of the recommendation has been noted. In regard to the Committee's observations that the traffic in this sector should be developed by popularising the services, as mentioned in reply to the recommendation No. 21 *ante*, the Corporation has established an office of its own at Port Blair which has started functioning with effect from the 3rd July 1972. This Office has started attending to all operational matters concerning this service in consultation and close co-operation with the Andaman Administration. The recommendation of the Committee in this regard would be kept in mind and all efforts would be made to develop the traffic in this sector in consultation and close co-ordination with the Andaman Administration.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SYII—17(3)/72 dated 21-11-1972].

Recommendation (Serial No. 23)

The Committee feel that the present share of oil cargo carried by Indian tankers on the coast which is only 26.7 per cent of the total cargo is not adequate, and every endeavour should be made to increase it.

(Para 6.18)

Reply of Government

With a view to achieving increase participation in the transportation of oil cargo along the Indian coast and to replace the existing old tankers, the Shipping Corporation of India has already placed orders for 5 coastal tankers of an aggregate dead weight of 97128 tons (57,000 GIT) with shipyards in U.S.S.R. and Yugoslavia. All these tankers would be delivered to the Corporation by 1975 when it is expected that the share of oil cargo carried by Shipping Corporation's tankers as well as Indian tankers would go up substantially.

The Government would continue endeavour to increase the participation by Indian Tankers in the carriage of oil cargo along the Indian coast.

[Ministry of Shipping & Transport (Transport Wing) O. M. No. SYII—17(3)/72 dt. 5-12-1972.]

Recommendation (Serial No. 25)

The Committee find that the Committee appointed by the National Shipping Board had recommended acquisition of 23 new vessels of 14,000 DWT each by 1971 to meet the requirements of coastal trade, taking the traffic projections of coastal dry cargo movement as about 3 million tonnes based on the tonnage of 2.32 million tonnes obtained in 1967.

The Committee were informed that 10 ships of 15000 DWT each are now on order in Rumania which, while being of the universal bulk carrier type, can be used for the carriage of coal etc. along the Indian coast. Out of these 10 ships on order, 4 are on Corporation's account. The Committee were informed that the total coastal dry cargo movement including coal, salt etc. has come down to 1.23 million tons in 1970. The Committee would, therefore, suggest that Government should review the position and fix the requirements of additional tonnage on a more realistic basis and plan the purchase of additional vessels accordingly.

(Para 6.30).

Reply of Government

The National Shipping Board, at its meeting on the 15th June, 1972, has appointed a sub-committee headed by Mr. H. M. Trivedi M.P. to assess the requirements of tonnage for coastal shipping and also study the problems of the Coastal Shipping Industry. When the report of the sub-committee becomes available, a clearer and up-to-date position regarding the requirements of tonnage for

coastal shipping can be had so as to enable orders being placed for additional vessels on a realistic basis.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SY-II 11-17(3) dt. 5-12-1972].

Recommendation (Serial No. 27)

The Corporation should devote special attention to maximum utilisation of existing capacity and to increase its tonnage so that a larger share of the country's foreign trade is carried by Indian vessels.

(Para 7.7)

Reply of Government

The recommendation has been noted. From the data relating to average utilisation of capacity given in Appendix VII of the Committee's Report under consideration, it would be seen that the percentage utilisation of capacity has improved over the years. The Corporation has embarked on a substantial tonnage expansion programme and its tonnage is expected to exceed 19 lakh GRT by 1975 and to expand at a much faster pace thereafter during the Fifth Plan period. With the implementation of this tonnage expansion programme, the Corporation's participation in the carriage of India's foreign trade would be substantially enhanced.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SY II—17(3) 72, dated 21st November, 1972].

Recommendation (Serial No. 28)

The National Shipping Board, at its meeting held on the 15th June 1972, has appointed a sub-committee headed by Mr. H. M. crores respectively as against Rs. 5.71 crores earned in 1967-68. The percentage of net profit to capital employed also came down from 10 per cent achieved in 1967-68 to 6.8 per cent in 1968-69 and 5.70 per cent in 1969-70. The main reason for the decline in profits has been that the growth of operating expenses had been at a faster pace than that of operating earnings. This trend however changed in 1970-71 and the Corporation had been able to earn a profit of Rs. 6.91 crores in 1970-71 which worked out to 5.9 per cent of the capital employed. The Committee hope that the present rate of return on capital will be improved upon in coming years.

(Para 8.25).

Reply of Government

The Committee's views have been noted. The Corporation's performance during 1971-72 has shown distinct improvement, resulting in a record profit of Rs. 8.07 crore which works out to 6.5 per cent on the capital employed.

[Ministry of Shipping & Transport (Transport Wing) O. M. No. SYII—17(3)/72 dated 21-11-1972].

Recommendation (Serial No. 29)

The Committee note that the Corporation had taken certain measures to reduce the operating expenses by improving methods of cargo handling and readjusting tonnage of vessel according to trade pattern etc. The Committee suggest that these measures should be kept under continuous review by the Corporation in order to effect improvements and economy in the operating expenses.

(Para 8.26).

Reply of Government

The suggestion has been noted.

[Ministry of Shipping & Transport (Transport Wing) O. M. No. SYII—17(3)/72 dated 21-11-1972].

Recommendation (Serial No. 30)

As pointed out elsewhere in this Report, the operating results of the cargo liner services have however, not been encouraging. There has been substantial reduction in the net profits earned/loss incurred on various sectors. The two passenger-cum-cargo services to India East Africa and India Straits had also incurred a loss of Rs. 40.60 lakhs in 1970-71. The Committee therefore, desire that special attention should be paid to the operation of cargo lines services to improve the profitability of the Corporation.

(Para 8.27)

Reply of Government

The recommendation has been noted. The operating results of the cargo liner services have shown substantial improvement in 1971-72. The net profits from these services during that year exceeded Rs. 6 crores.

[Ministry of Shipping & Transport (Transport Wing) O. M. No. SYII—17(3)/72 dated 21-11-1972].

Recommendation (Serial No. 31)

The Committee regret to note the heavy amount outstanding against Sundry Debtors of the Corporation. The outstanding which were Rs. 434 lakhs in 1966-67 representing 15.2 per cent of the operating income of that year had risen to Rs. 1,683 lakhs as on 31st March, 1971 representing 26 per cent of the operating income of the year. Similarly the outstandings over six months have also shown an increasing trend and had gone up from 3.2 per cent of the operating income in 1966-67 to 9.5 per cent in 1970-71. As compared to it the total outstandings of other three Indian Shipping Companies as on 31st September, 1971 ranged from 0.4 per cent to 6.6 per cent only of the operating income. Even making allowance for certain higher outstandings of the Corporation as compared to other Shipping Companies because of some special reasons mentioned by it, the outstandings cannot but be considered high. The heavy outstandings results in locking up of funds, loss of interest and affect the liquidity position of the Corporation.

The Committee, therefore, recommend that the present procedure for building and collection of outstandings should be reviewed and streamlined to enable prompt recovery of all dues and have an effective control over them.

(Para 8.33)

Reply of Government

The Corporation has reviewed the procedure for billing and collection of outstandings and streamlined it with a view to have an effective control and ensure prompt recovery of all dues. As on 31-3-1972 the outstandings came down to 1535 lakhs representing 20.2 per cent of the operating earnings for the year 1971-72.

[Ministry of Shipping & Transport (Transport Wing) O. M. No. SYII—17(3)—72, dated 21-11-1972].

CHAPTER III

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

Recommendation (Serial No. 4)

The Committee are not impressed by the plea of Government that "it is not possible for Government or even for the Shipyard to draw up a long term production plan in terms of size and type of ships to be produced because these will depend on the requirements of the shipowners who are to place orders". It has been stated that in view of rapid changes in technology and introduction of new concepts like containerisation, the uncertainty about the opening of Suez Canal etc., it is not possible for the shipowners to decide much in advance the number, size and type of ships required by them. It has been indicated that in the absence of definite requirements, "any plans drawn by the shipyard or Government for the production of ships of a particular size and type merely on a theoretical basis will serve no useful purpose." These arguments do not appear to be convincing to the Committee. The Committee recommend that if the targets fixed under the Five Year Plans for augmentation in the tonnage of the country are to succeed, Government should draw up a need based programme integrated with the capacities of the indigenous Shipyards in the country and the known demands of the Shipping enterprises in general and the Shipping Corporation of India in particular.

(Para No. 2.41)

Reply of Government

The order book position of the various shipyards was considered in the meeting of the Standing Committee for Co-ordinating the activities of the Public Sector Shipyards held in the Ministry of Shipping & Transport on 13-9-1972. It was decided there in that the Indian National Shipowners Association should prepare a plan of the broad requirements of the Indian Shipping Companies for ships for the next 5 years and intimate the same to the Ministry of Shipping and Transport. These requirements as well as the capacities of the existing and proposed indigenous shipyards in the country will be

taken into account while preparing the shipping programme for the Fifth Plan.

[Ministry of Shipping & Transport O.M. No. SYII-17(3) |72 dated 18-11-1972].

Recommendation (Serial No. 6)

The Committee find that since April, 1965 there had been delays in the delivery of 2 vessels by a foreign shipyard—88 days in one case and 49 days in the other. There have also been delays by the Hindustan Shipyard ranging from 103 days to 556 days. The Committee also note that though the Corporation initially recovered an amount of Rs. 20.50 lakhs as liquidated damages from Hindustan Shipyard on account of delay in the delivery of vessels, the Corporation had to refund a sum of Rs. 8,29,500 to the Hindustan Shipyard according to the award given by the arbitrator. The Committee note that the Corporation have suffered a loss of profits on account of delayed delivery of vessels (excluding grace period) by the foreign and Indian Shipyards amounting to Rs. 49.64 lakhs. Besides, delay in delivery of 4 vessels had devolved on the Corporation an additional expenditure of Rs. 60.89 lakhs by way of increase in the price charged by Hindustan Shipyard on account of devaluation. Delay in delivery of vessels not only causes loss to the Corporation but results in inconvenience to the Corporation in meeting its trade obligations and also affects its planning. Even where the Corporation is able to meet its trade commitments by chartering ships, there is indeed loss of interest on the various instalment amounts paid by the Corporation to the Shipyard on account of such delays. The Committee are glad to note that in recent contracts, some important changes have been effected to ensure timely delivery of ships, viz. the restriction of the grace period from 60 days to 45 days, increasing the rate of penalty for each day of delayed delivery to Rs. 8650 per day and deletion of the clause excluding the right of Corporation to reject the vessels in the event of delay in delivery. The Committee suggest that the effect of these changes should be watched. The Committee need hardly stress that every assistance by Govt. should be extended to Hindustan Shipyard to meet to the largest extent possible the demand of ships by Shipping Corporation of India. Government should particularly watch the progress made by the Hindustan Shipyard to manufacture the ships so that difficulties if any are resolved in time to adhere to the time schedule for delivery.

Reply of Government

All assistance is being provided by the Government to Hindustan Shipyard Limited to meet *inter alia*, the demands of ships by the Shipping Corporation of India. A Steering Committee has been constituted under the Chairmanship of the Transport Secretary with representatives of the other concerned Ministries|Departments as members to review the progress of the Hindustan Shipyard, to expedite measures for removing bottlenecks and difficulties encountered to obtain expeditious clearance from concerned authorities like Directorate General of Technical Development and the Chief Controller of Imports & Exports, are to examine and review the progress of delivery as contracted by indigenous firms to the shipyard.

[Ministry of Shipping & Transport O.M. No. SYII-17(3) |72
Dated 18 November, 1972.]

Recommendation (Serial No. 13)

The Committee note that as a result of stoppage of Yen. credit there had been a drop in the movement of better paying cargo and this has adversely affected the economics of the operations on India-Japan sector. Considering, however, the past trade achievements in the Calcutta-Japan and Bombay-Japan sectors and the potential growth of trade with Japan and the countries enroute the Committee suggest that the operations may be kept under review and suitable measures taken to augment them in the interest of foreign trade.

Reply of Government (Para 5.20)

Necessary action is being taken by the Corporation. Cargo movement from Japan to both East and West Coasts of India has since picked up resulting in some improvements in the average earnings. While the average freight earnings per voyage and per revenue ton in 1970-71 were Rs. 11.57 lakh and Rs. 132|- respectively, the corresponding figures for 1971-72 were Rs. 11.88 lakh and Rs. 166.75.

[Ministry of Shipping & Transport (Transport Wing) O.M.
No. SY-II-17(3) |72, dated 21st November, 1972]

Recommendations (Serial Nos. 18 & 18)

18. The Committee regret to note that the Corporation has suffered a loss of Rs. 40.60 lakhs in 1970-71 on the operation of two passenger-cum-cargo services to India-East Africa and India-Straits.

The main reason advanced for the heavy loss suffered on these services is that there was a sharp increase in the standing charges due to the aging of the vessels which were built in 1948. It is surprising that although the proposal for replacement of these vessels was first mooted in 1964-65, the orders for two new passenger-cum-cargo liners were placed on Mazagon Dock Ltd., only in June 1968 and these are scheduled to be supplied by October 1973 and April 1975. The delay of about four years in placing orders can hardly be justified. It has been admitted by the Management that there was no hope of showing good operating results until and unless these ships were replaced by new ones.

The Committee recommend that Mazagon Dock Ltd., may be urged to supply the ships at the earliest. (Para 5.70)

19. Government|Corporation should ensure that orders for replacement of old ships or for adding new ships are placed well in advance so that the new ships become available in time for maintaining efficient service and obviate losses. (Para 5.71)

Reply of Government

The Corporation is pursuing with the Mazagon Dock the matter of early delivery of the ships under construction. The first vessel viz. M. V. HARSHA VARDHANA scheduled for delivery on 31st October 1973 as per the Contract was launched on 12th June, 1972.

The Corporation has also located a relatively new second hand passenger ship which is available on deferred payment terms. This ship has been found suitable and in good condition. The Corporation is likely to acquire this ship very soon and commission it in the Madras-Singapore Service in replacement of T.S.S. STATE OF MADRAS.* The M. V. VIKRAMADITYA ordered with the Mazagon Dock, Bombay, will be placed, on her delivery, in the Mainland-Andamans Services. A provision is being made in the Fifth Plan for the replacement of S. S. CHOLUNGA owned by the Government of India and employed in the Andamans Inter-Island Service.

With the acquisition of the passenger ships mentioned above, the replacement needs in respect of the existing old and uneconomic passenger ships, till the end of the Fifth Plan, would have been adequately met.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SY-II-17(3)|72, dated 21st November, 1972].

*At the time of factual verifications, the Shipping Corporation of India Ltd. informed as follows:—

"Since then this vessel has been acquired and remained 'M. V. Chidambaram' and will sail on its maiden Voyage from Madras on 25th March, 1973".

Recommendations (Serial No. 24)

The Committee regret to note that the operational results of 4 tankers purchased by the Corporation for coastal movement of oil products have not been satisfactory. The Corporation suffered continuous losses on their operation from 1963-64 to 1966-67. The losses would have been continued even in 1967-68 and 1968-69, but for the profit of Rs. 19.58 lakhs and Rs. 11.56 lakhs earned by one of the tankers, M.T. "Desh Alok" in 1967-68 and 1968-69 respectively. The Committee also note that the main reason for the losses was that the second hand vessels acquired by the Corporation especially Desh Sewak (old) and Desh Sewak (new) were laid off for repairs for long period.

The Committee are surprised to find that inspite of the suitability and satisfactory certificate given by the technical officer after inspection, the tanker M.T. "Desh Sewak" (new) had to be laid off for repairs for 317 days out of the total period of 679 days from the date of readiness of the vessel (23-5-1967) to 31st March 1969 i.e. for nearly 47 per cent of the available days.

The Committee are left with a feeling that sufficient care was not bestowed in conducting the original inspection of the tanker before the purchase was decided upon. The Committee also regret to observe that the very purpose of purchase of tankers to meet the need of the coastal trade especially in the context of development of refineries has not been fully achieved. (Para 6.32)

Reply of Government

The Committee's observations have been noted. The following facts are, however, pertinent in this context:—

- (1) The Corporation entered the tanker trade in 1957 with one second hand tanker, "Desh Sewak". Subsequently, one more tanker newly constructed in Japan, viz., M.T. "Desh Deep" was placed on the coastal run. Both these tankers were used for the transportation of clean petroleum products along the Indian coast. In the former years, hardly any protection was available to the bulkheads of tankers against corrosion arising out of the carriage of refined oil products. In the coastal tanker trade, clean petroleum products had to be carried in one direction and sea ballast in the other. Excessive corrosion to the steel plates and bulkheads posed a very serious problem. It was only by about 1964 that some

protective coatings were developed; the technological developments in the field of protective paints have helped resolve the problem of steel corrosion to an appreciable extent. These developments, however, came too late insofar as the first tanker, M.T. "Desh Sewak" was concerned. This vessel, on completion of her useful life, was disposed off by the Corporation in 1967. In the case of the second tanker, viz. "Desh Deep" also, the Corporation suffered loss in the initial years, but, however, after the steel plates were renewed and protective coatings applied, the Corporation was able to overcome the steel corrosion problem to a considerable extent.

- (2) In June 1966, Indian Rupee was devalued. This had a serious impact on the working results of the coastal tankers particularly. This was because, while the charter hire rate remained stationary, the devaluation pushed up the cost of operation to a considerable extent. The Corporation was able to get some increase in the charter hire rates for coastal tankers from July 1967.
- (3) In the mean-time the Corporation had to acquire two relatively old second-hand coastal tankers for meeting emergent requirements of coastal movement of oil products. The Corporation purchased two second-hand tankers, "Desh Alok" and "Desh Sewak", during 1966-1967 with the intention of using these tankers for about four years. The tanker, "Desh Sewak" suffered breakdowns initially; but after sustained efforts by the Corporation's technical personnel, the difficulties were diagnosed and the defects rectified. From January 1969, the tanker gave trouble free service. As this tanker was purchased in 1967 with the intention of using it only for about four years, it was disposed of in June 1972 after completion of its useful life.
- (4) The normal procedure followed by the Corporation in purchasing secondhand vessels is to agree to a price subject to the technical inspection of the ship. The Corporation consulted M/s. C. H. Rugg & Co., London, valuers of international standing with a view to obtaining a reasonable assessment of the international price of the M.V. "Nerva" (Desh Sewak). After negotiations, the Corporation settled the price with the Owners, which was

below the independent assessment of the international price. The next step taken was to have the vessel inspected by technical experts. In purchasing second-hand vessels, the Corporation takes every possible and practicable precaution. First of all, the general arrangement plan and Classification Society's records are inspected. If these are satisfactory, the Corporation deposes its technical representatives at the seniormost level to inspect the vessels and to give a report. Until some years ago, the Corporation used to depute only one technical representative to inspect the vessels. Later, however, as a matter of abundant caution, the Corporation started sending a team of two officers for such inspection. In the case of M.T. "Desh Sewak" (ex-NERVA), the Corporation deputed its Development Director, who holds the highest qualifications in his line and is regarded as one of the best Naval Architects in the Country. The other member of the team was the corporation's seniormost Engineer-Officer and a Chartered Engineer and who now holds the post of Technical Manager, and has had experience of over twenty years in his profession after obtaining his First Class Certificate of Competency. Both these officers inspected the vessel and recommended its purchase. It is neither customary nor possible for the inspectors to open up all the machinery of the ship and check its operation. Inspection is made by opening up only certain agreed parts of the machinery. This is in accordance with normal technical practice followed all over the world when second-hand vessels are purchased. The same practice was followed in the case of M.T. "Desh Sewak" also. Since the special survey of old second-hand vessels generally proves to be extremely expensive, it was stipulated with the Sellers that they would deliver M.T. "Nerva" (Desh Sewak) to us after obtaining the survey certificate from Lloyd's Register of Shipping for highest class. This was complied with by the Sellers and the Lloyd's issued the Certificate valid till 1971. The purchase of the vessel was finally completed only after the inspection by the team of technical officers, as stated above, and after the Lloyds Register of Shipping had passed the vessel during the fourth special survey and issued it, the requisite certificate in accordance with its highest class, viz., + 100 A 1.

- (5) Thus it would be observed that all possible and practicable

able care and caution was taken by the Corporation before acquiring the tanker, "Desh Sewak". The Corporation had gone in for a second hand tanker then, only because of the emergent requirement and non-availability of a new coastal tanker. It may be added that the Corporation has so far purchased 30 second hand ships and the procedure regarding inspection and purchase described above has been uniformly followed in all the cases. Almost all these ships have given trouble-free service. The tanker, "Desh Sewak" unfortunately, due to factors beyond the Corporation's control, developed some troubles initially but on the whole the purchase of this tanker has also been profitable.

- (6) The Corporation has placed orders for five new coastal tankers to replace the existing old ones as also to strengthen the coastal tanker fleet. Experience gained from the operation of the present coastal tanker fleet has been utilised for making important improvements in the specifications of the new tankers. It is hoped that when these tankers are delivered to the Corporation, it will be able to meet effectively the needs of the coastal oil trade.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SY-II-17(3) |72, dated 21st November, 1972]

Recommendation (Serial No. 26)

The Committee find that the Fourth Five Year Plan envisages that the Indian Shipping would cater for about 40 per cent of the country's overseas trade at the end of the Fourth Plan. However, the percentage of the foreign trade carried by Indian Shipping at the end of 1969-70 was only 21.34 per cent. It is therefore evident that only a little over 50 per cent of the target could be covered so far.

The Committee also note that although the cargo carried (revenue tons) by the Shipping Corporation of India has increased from 15.41 lakh tons in 1965-66 to 23.00 lakh tons in 1969-70, the rate of growth has been lower as compared to other Indian vessels. The share of the Corporation in quantity carried in Indian vessels had thus come down from 27.6 per cent in 1965-66 to 21.73 per cent in 1969-70.

The Shipping Corporation of India has a dominant role to play in the development of Indian Shipping. The Committee expect the-

Corporation would provide the necessary leadership and set an example in this regard to other Indian Shipping Companies. The Committee therefore desire that the reasons for the decline in the share of the Corporation in quantity carried by Indian vessels should be investigated and the Committee informed. (Para 7.6).

Reply of Government

In regard to the Committee's observation about the decline in the share of the Corporation in the quantity carried by Indian vessels, it is necessary to consider the facts given in the sub paras below.

(1) The cargo liftings of the Corporation shown in para 7.1 of the Committee's Report do not include the cargo carried by the Corporation's bulk carriers, ore-oil carries and tankers employed in the international cross trade or employed in country's international trade on charter. Such specialised vessels constituted 3.55 lakh GRT in 1970-71 as against 0.51 lakh GRT in 1965-66. If two of the Corporation's tankers viz. m.t. "Jawaharlal Nehru" and "Lal Bahadur Shastri" had been employed for carrying crude from Persian Gulf to the Madras Refinery, instead of employing in international cross trade, the liftings by these two tankers alone would have increased Corporation's share of the overseas trade by 2.5 million tons in one year.

(2) The total Indian liftings include the bulk cargo trade such as iron ore, grain, fertiliser, oil etc., whereas in the case of the Corporation, the cargo liftings in the overseas trade indicated mainly relate to liner cargoes. Therefore, in order to make the figures comparable, it would be necessary to exclude such trades from the total Indian trade. If, for example we exclude ore lifted by Indian vessels from the total quantity of overseas cargo carried by such vessels and relate the rest of the foreign trade carried by Indian vessels to the corresponding figures of trade carried by Corporation's ships, the position would change as under.—

	Total quantity carried by Indian vessels	Total ore cargo carried by Indian vessels	Balance trade carried by Indian vessels	SCI liftings
	(In lakhs tons)			
1965-66	55.78	5.92	49.86	15.41
1970-71	104.14	29.80	74.34	23.52
Percentage increase in over 1965-66	49.09%	52.63%

It would be seen from this data that, with the exclusion of iron ore alone, the share of the Corporation's foreign liftings shows improvement. If similar adjustment is made for other bulk commodities, the Corporation's share of the liftings would show considerable improvement when compared to liftings of other Indian Lines.

(3) As explained in sub-paras (1) and (2) above, the Corporation's liftings figures mainly relate to liner cargo and do not include liftings by bulk carriers and tankers, since they were employed on charter. In the liner trades, say in the U.S.A. or U.K. sector, for example, a vessel of 10000 GRT (15000 DWT) will be in a position to perform on an average only about 2 round voyages in a year. The total cargo liftings in such a case would be only about 40,000 tons. Whereas a similar bulk carrier when employed in Vizag-Japan ore trade, for example, will be able to perform about 10 round voyages and lift 1,50,000 tons a year. Though in the latter case, a larger volume of cargo is carried, in terms of value and freight, the contribution by the former is higher.

(4) As a result of the closure of the Suez Canal since June, 1967, the Corporation's vessels plying in the U.K.—Continent, Black Sea and U.S.A. services are routed via the Cape of Goodhope which has involved considerable increase in the voyage days resulting in a corresponding reduction in the number of voyages that could otherwise be performed by vessels. This has consequently affected the total liftings of the Corporation in these years. Only two other Indian shipping companies are operating in these routes along with the Corporation. Further, the sailings to U.S.A. Great Lake ports and Canada introduced in recent years all involve longer duration as compared to voyages in other sectors which were in operation earlier.

Thus it would be seen that if the cargo carried by the Corporation's tankers and bulk carriers are added to its liftings and necessary adjustments are made for the other factors mentioned above, the share of the Corporation in the quantity of cargo carried by Indian vessels would have been much higher.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SYII-17(3)/72, dated 21st November, 1972].

Recommendation (Serial No. 32)

The Committee also suggest that Corporation should lay down in clear terms, its credit policy and ensure its strict observance both

in letter and in spirit. The Committee recommend that a careful analysis of the dues outstanding for over six months should be undertaken and the cases pursued vigorously at the highest level especially with the Government Departments so that the dues may be realised expeditiously and the financial position of the Corporation may be improved. (Para 8.34).

Reply of Government

The Corporation has laid down its credit policy and intimated all concerned for strict observance. The Corporation is also pursuing the cases of the dues outstanding for more than 6 months, at the highest level with the concerned departments of the Government. To ensure expeditious recovery of the outstandings, Senior Officers are deputed for personally contacting the concerned Government Departments at the appropriate levels as and when required.

[Ministry of Shipping & Transport (Transport Wing) O.M.
No. SYII-17(3)/72. dated 21st November, 1972.]

CHAPTER IV

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

Recommendation (Serial No. 21)

The Committee find that heavy losses have been suffered on the running of the services between mainland and Andaman, and Nicobar Islands. The Committee on Public Undertakings, in their Third Report in April, 1965, had observed that the arrangement under which only the operation of the vessels is looked after by the Corporation and the entire expenses incurred are re-imbursed by Government, would leave little incentive to the Corporation to ensure whether the service is being run as efficiently and economically as it should. The Committee, therefore, desired that these arrangements should be reviewed in the light of the observations made by it. In their reply in September, 1967, the Government stated that they had decided that the complete operational control over these services would be transferred to the Shipping Corporation of India.

The Committee regret to note that, in spite of the above decision, even after the lapse of four years, the complete operational control of these services has not been handed over to the Corporation. The Committee take a serious view of the delay in the implementation of the recommendation of the Committee which was accepted by the Government as far back as 1967. (Para 6.12).

Reply of Government

The Corporation has established an office of its own at Port Blair. This Office started functioning with effect from the 3rd July 1972. Port Blair Office of the Corporation has started attending to all operational problems of this service including the planning of the sailing schedules, in consultation and close co-operation with the Andaman Administration.

[Ministry of Shipping & Transport (Transport Wing) O.M. No. SYII-17(3)/72, 21st November, 1972].

Comments of the Committee

Please see Paras 1 to 5 of Chapter I of the Report.

Recommendation (Serial No. 34)

The Committee note that out of 11 Directors of the Company, four are non-officials, out of whom two are retired Government officials. The Committee would in this connection like to invite a reference to their following recommendation in para 86 of their 3rd Report on Shipping Corporation of India. "Apart from the fact that a retired official would have more time to devote to the affairs of the Corporation than a serving official, the Committee do not think that he would be able to bring in an approach radically different from that of official as could be expected of a non-official. The Committee, therefore consider it desirable to associate a few prominent non-officials who have knowledge of the problems of shipping industry on the Board of Directors of the Corporation. Some of them might perhaps to be selected from All India Organisation representing shippers". In their reply dated 29th September, 1967, to this recommendation, the Ministry had stated that Government had noted the recommendation of the Committee and will keep the same in view while making future appointments. The Committee regret to note that, in spite of the acceptance by Government of the recommendation of the Committee, two out of four non-official Directors on the Board of Directors of the Corporation, were retired Government Officials and there was no member on the Board having experience of the Shipping Industry. The Committee would reiterate their earlier recommendation in their 3rd Report and suggest that a few prominent non-officials, who have knowledge of the problems of Shipping Industry may be represented on the Board of Directors of the Corporation.

(Para 9.14).

Reply of Government

It is regretted that the recommendation of the Committee was overlooked in the past. This will be kept in view while reconstituting Board of Directors for Shipping Corporation of India.

[Ministry of Shipping & Transport (Transport Wing), O. M. No. SYII—17(3) |72 dated 8th December, 1972.]

Comments of the Committee

Please see Paras 6 to 10 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 33)

The Committee note that there is a proposal to withdraw the development rebate allowance to Indian Shipping after May, 1974. They have been informed that prior to the introduction of the development rebate allowance, shipping Companies like other undertakings were receiving various allowances like initial depreciation to the extent of 20 per cent of the cost of each asset, double normal depreciation etc. With the introduction of the development rebate allowance, these concessions were withdrawn. According to the Shipping Corporation of India with the withdrawal of development rebate allowance the Shipping Companies would be left with no tax benefits at all and this would considerably affect their profitability and consequently their capacity for expansion.

Indian Shipping Companies are required to find from their own resources the first 10 per cent of the price of the ships ordered by them (5 per cent for ships built in Hindustan Shipyard) in order to qualify for loan from Shipping Development Fund for the balance price of the ships. The withdrawal of Development Rebate allowance will result in reducing the internal resources and the ability of the Shipping Corporation to borrow further funds. The Committee have also been informed that even traditional shipping countries assist their shipping by means of subsidies, tax benefits etc.

The Committee understand that the Shipping Corporation has already placed sizeable orders for additional ships on the understanding that the development Rebate allowance will continue to remain available. During the course of evidence, Chairman and Managing Director pleaded before the Committee that the unexpected withdrawal of the rebate from May 1974, when most of ships for which orders have already been placed will be delivered would create a difficult situation for the Corporation. The Committee recommend that in view of crucial importance of shipping for mercantile trade and as a second line of defence in emergency, the

plea of the Chairman and Managing Director for continuance of the Development Rebate deserves sympathetic consideration. In case this is not found feasible, Government may examine the question of suitably compensating the extra liability by grant of subsidy, etc. (Para 8.40).

Reply of Government

The matter is under consideration in consultation with the Ministry of Finance.

[Ministry of Shipping and Transport O.M. No. 33-MD(3)/72 dated 14-3-1973].

NEW DELHI;
March 23, 1973.

Chaitra 2, 1895 (S).

SUBHADRA JOSHI,
Chairman,
Committee on Public Undertakings.

APPENDIX

(Vide para 5 of the Introduction)

Analysis of Action taken by Government on the recommendations contained in the Twentieth Report of the Committee on Public Undertakings (5th Lok Sabha)

I.	Total number of recommendations	34
II.	Recommendations that have been accepted by the Government (<i>vide</i> recommendations at serial Nos. 1, 2, 3, 5, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17, 20, 22, 23, 25, 27, 28, 29, 30 and 31),	
	Number	23
	Percentage to total	67.6%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at Serial Nos. 4, 6, 13, 18, 19, 24, 26, and 32	
	Number	8
	Percentage to total	23.5%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations at Serial Nos. 21 and 34)	
	Number	2
	Percentage to total	6%
V	Recommendations in respect of which final replies of Government are still awaited (<i>vide</i> recommendation at Serial No. 33)	
	Number	1
	Percentage to total	2.9%