

ESTIMATES COMMITTEE
1958-59

THIRTY-EIGHTH REPORT

(SECOND LOK SABHA)

MINISTRY OF TRANSPORT & COMMUNICATIONS

(Department of Transport)

EASTERN SHIPPING CORPORATION LTD., BOMBAY
&
WESTERN SHIPPING CORPORATION (P) LTD., BOMBAY



LOK SABHA SECRETARIAT
NEW DELHI
April, 1959/Chaitra 1881 (S)

CORRIGENDA

THIRTY-EIGHTH REPORT OF THE ESTIMATES COMMITTEE. (SECOND LOK SABHA)

1. Page 12, Para 34: For 'with' occurring in the last sentence of this para read 'from'
2. Page 20, Para 59: For 'contract' occurring in the third sentence of this para read 'contact'
3. Page 21: For 'scrupulously' occurring in the middle of the sixth line from above read 'scrupulously'.
4. Page 21, Para 61: Omit 'therefore' occurring in the seventh line.
5. Page 27, Para 76: Read 'within' for 'with' in the fifth line.
6. Page 28 : Omit Foot-note.
7. Page 29: Put an asterisk(*) against 'Scindias' occurring in the sectional heading and Add the following foot-note in the bottom of this page :-
*"The additional information in this regard furnished by the Ministry on the 13th March, 1959 is reproduced in Appendix V."
8. Page 30: For 'European' Read 'foreign'.
9. Page 44, Para 126: Read 'Companies' For 'Corporations' occurring in the third & ninth lines.
0. Page 45, Para 127: Read 'Association' For 'Conference' in the ninth line.
1. Page 47: For 'accnts' appearing in the Foot-note on this page read 'accounts'.
2. Page 48: For 'Companie' occurring in the first sentence of the Foot-note on this page Read 'Companies'.
3. Page 51: Para 143: Insert 'of' between 'be' and 'ad-hoc' occurring in the last sentence of this para.

P.T.O.

14. Page 52, Para 150: Read 'would' for 'will' in the thirteenth line.
15. Page 54, Para 156:
 - (i) Add 'the' between 'of' and 'crew' in the fourth line.
 - (ii) Add 'prescribed' between 'Agreement' and 'by' in the fifth line.
16. Page 57, Para 164:
 - (i) Add 'the' before 'Corporation' occurring in the first line.
 - (ii) Add 'the' before 'staff' in the eighth line.
 - (iii) Substitute 'are' for 'were' in the sixteenth line and 'are' for 'is' in the seventeenth line.
17. Page 59, Para 167: Omit 'as well as other Indian Shipping Companies' occurring in the first and second lines.
18. Page 100, S.No.12: For 'with' in the last line Substitute 'from'.
19. Page 114, S.No.93: For 'cases' in the first sentence read 'case' and For 'of relatives' Read 'of a relative'.
20. Page 116: For 'coatal' in the last line Read 'coastal'.

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ESTIMATES COMMITTEE, 1958-59

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Shri A. R. Shirali—*Deputy Secretary.*

Shri R. K. A. Subrahmanya—*Under Secretary.*

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- * Elected *w.e.f.* 28-8-1958 *vice* Shri Mahavir Tyagi resigned.
** Elected *w.e.f.* 17-9-1958 *vice* Shri J. Rameshwar Rao resigned.
*** Elected *w.e.f.* 23-9-1958 *vice* Shrimati Renuka Ray resigned.
**** Elected *w.e.f.* 23-9-1958 *vice* Shri Nemi Chandra Kasliwal resigned.
***** Elected *w.e.f.* 17-12-1958 *vice* Shri Vijayram Raju resigned.

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the report on their behalf, present this Thirty-Eighth Report on the Ministry of Transport and Communications (Department of Transport)—Eastern Shipping Corporation Ltd., Bombay, and Western Shipping Corporation (P) Ltd., Bombay.

2. A statement showing an analysis of the recommendations contained in this report is also appended to the Report (Appendix XV).

3. The Committee wish to express their thanks to the Officers of the Ministry of Transport and Communications (Department of Transport), the Eastern Shipping Corporation Ltd., Bombay, and the Western Shipping Corporation (P) Ltd., Bombay, for placing before them the material and information in connection with the examination of estimates. They also wish to thank Shri A. Ramaswamy Mudaliar, the representatives of the Indian National Steamship Owners' Association, Bombay (Shrimati Sumati Morarjee, Shri M. J. Buch and Shri N. T. Khandwala), Shri M. A. Master and Shri C. H. Bhabha for giving evidence before the Committee and making valuable suggestions to them.

NEW DELHI;
The 1st April, 1959.

Chaitra 11, 1881 (S).

BALVANTRAY G. MEHTA,
Chairman,
Estimates Committee.

I

INTRODUCTORY

A. Importance of Shipping

The importance of shipping in the development and enrichment of national economy needs no emphasis. A national mercantile marine of an adequate size can maintain and safeguard the flow of vital supplies. Overseas trade and commerce can thrive only on the foundations of an adequate merchant navy which can assist in the exploration of new markets and expansion of overseas trade. As development plans are implemented, the tempo of the country's trade and commerce would also receive stimulus.

2. India's overseas trade today amounts to about Rs. 1,500 crores, the transport of about 91 per cent of which is in the hands of foreign shipping companies. It is estimated that the annual amount of freight paid by the country on its exports and imports is about Rs. 150 crores. While the country could legitimately claim Rs. 75 crores out of this amount, the actual share of Indian ships amounts only to Rs. 20 crores and the rest goes to foreign flags. This is a serious drain on the foreign exchange resources of the country and it underlines the need for a quick expansion of the national merchant fleet.

3. The statement on shipping policy issued in 1945 recognised that 'For a country of its size, the length of its coastline and its strategic position athwart one of the world's main sea routes, India possesses a distressingly small number of deep sea ships'.

4. The Sub-Committee of the Reconstruction Policy Committee set up in 1945 to consider the statements on post-war shipping policy made *inter alia* the following recommendations:—

"The objectives of the future shipping policy in India should be to reserve for Indian shipping the entire coastal trade of India and to secure adequate shares in other maritime trades.

"Hundred per cent of the purely coastal trade of India, seventy-five per cent of India's trade with Burma and Ceylon and with the geographically adjacent countries, fifty per cent of India's distant trades and thirty per cent of the trades formerly carried in axis vessels in the orient should be secured for Indian shipping in the next five to seven years.

"To carry the above cargo amounting to more than ten million tons a year and about three million passengers, India needs two million gross tons of shipping."

5. The recommendations of the Sub-Committee were accepted by Government in the following words:—

“With regard to the shares to be secured for Indian shipping in the various trades, the Committee have recommended that the targets to be reached during the next five to seven years should be 100 per cent of the purely coastal trade of India, 75 per cent of India’s trade with Burma and Ceylon and with the geographically adjacent countries, 50 per cent of India’s distant trades and 30 per cent of the trade formerly carried in Axis vessels in the Orient, and it is the intention of the Government to assist Indian Shipping as far as possible in this direction.”

6. The objectives laid down in 1947 for achievement ‘within five to seven years’ are far from being achieved yet. Hence, they remain the distant objectives of even the present shipping policy. It has, however, been represented to the Committee that the objectives laid down in 1947 would not be adequate to meet the present requirements of shipping. One of the well-informed non-officials has stated in a memorandum submitted to the Committee that ‘Taking a broad view of the picture, it is estimated that if we want to carry cent per cent of our coastal trade, 75 per cent of our adjacent trade and 50 per cent of overseas trade, India would require about 2.5 million tons of shipping and not 2 million tons as laid down by the Shipping Policy Committee in 1947’. *The Committee have no doubt that with the economic development of the country and consequent expansion of commerce and trade the requirements of shipping would have obviously gone up since 1947. They, therefore, recommend that the requirements of shipping may be reviewed in the light of the present trends and the objectives of the shipping policy restated on a realistic basis.*

B. Shipping Statistics

7. In this connection the Committee understand that the requirements of shipping cannot be estimated accurately for want of reliable data in respect of movement of cargo in Indian trade. The Port and Shipping Statistics Committee had in 1955 made certain recommendations with regard to the maintenance of statistics relating to shipping. The Estimates Committee, in their 48th Report, issued in 1956-57, had commented upon the delay in the implementation of those recommendations and had suggested that high priority should be given to it. They had also commented upon the absence of authoritative estimates relating to the movement of cargo in Indian trade in their 65th Report (1st Lok Sabha) and had urged that Government should take steps to maintain statistics thereof. During evidence the representatives of the Ministry stated that the recommendations of the Port and Shipping Statistics Committee had been examined by an official who was engaged on special duty for the purpose for about a year but the scheme prepared by him was not approved. The matter was re-examined by the Central Statistics Organisation and was still under

further examination. *The Committee are surprised at the wasteful procedure adopted for examination of the recommendations made by an expert committee and the inordinate delay in taking decisions thereon.* The Committee consider that if the Government had any difficulty in implementing the recommendations of the Committee, they could have taken counsel from the Chairman of the Committee for suggesting a practical and economical method of doing so. *They, however, recommend that speedy steps be taken to collect and maintain the statistics which are vital for planning the development of Shipping Transport.*

C. Shipping in the Second Plan

8. In the Second Five Year Plan the target for total tonnage for shipping has been placed at 900,000 GRT and the objectives under the Plan are:—

- (a) to cater fully to the needs of coastal trade with due regard to the possibility of diverting some traffic from railways to coastal shipping;
- (b) to secure an increasing share of India's overseas trade for Indian ships; and
- (c) to build up the nucleus of a tanker fleet.

With the achievement of the targets mentioned above, the Indian tonnage is expected to carry about 12 to 15 per cent of the country's overseas trade and 50 per cent of her trade with adjacent countries, as against the present proportions respectively, of 5 and 40 per cent. Considering the objectives of the shipping policy discussed in the previous paragraphs it is obvious that the targets laid down for the Second Five Year Plan are too low. The Committee understand that as shipping is not in the hard core of the Plan, even these low targets are not likely to be achieved during the plan period.

9. At the rate of progress achieved in the First Five Year Plan and planned for in the Second Five Year Plan it will take more than twenty years to attain even the conservative objectives of acquiring 2 million tons of shipping for the nation, within which time the rise in the demand for shipping might itself far outstrip the volume of tonnage that might be acquired. *The Committee, therefore hope that the planners of the Third Five Year Plan will, considering the importance of shipping for the national economy and its present inadequacy, give the development of shipping higher priority than hitherto and greater allocation of resources in order that the objectives of the Shipping Policy might be attained within a reasonable time.*

D. Role of Public Sector

10. Under the Shipping policy of 1947 development of shipping was left to private companies and the responsibility of Government was limited to rendering assistance to them to achieve the targets. But the growth of tonnage was slow. The opportunity of building up the

tonnage in the immediate post-war period was not availed of. Shipping is considered to be a highly competitive and changing industry: the fortunes of those engaged in this industry varied particularly during the pre-independence period for various reasons. Private companies were chary of putting money to the extent it was required. As such, it became necessary that the resources of the private entrepreneurs or the savings forthcoming from private quarters should be supplemented by Government. It was therefore considered that State participation would inspire confidence in Indian companies and encourage them to expand their activities in this field. With this end in view and with a view to ensuring the development of Indian shipping with the active co-operation of the private enterprise, Government decided to set up two or three Shipping Corporations.

11. Sea Transport has been included in Schedule 'B' of the Industrial Policy Resolution, 1956, and as such belongs to the category of industries which will be progressively State-owned and in which, therefore, the State will generally take the initiative in establishing new undertakings, but in which private enterprise will also have the opportunity to develop in the field either on its own or with State participation. Thus, the policy of the Government as envisaged in 1947 has been more or less reversed and the responsibility for the development of Indian Shipping now rests squarely on the public sector. The Committee, however, feel that the full implication of this policy has yet to be realised by Government for the following reasons:—

- (i) Though the ultimate target as well as the target for the plan period have been laid down, no corresponding target has been fixed for the public sector nor Government have any plans in the public sector for achievement thereof;
- (ii) Though under the Industrial Policy Resolution, 1956, Government had to take the initiative in setting up new undertakings, it was stated by the Secretary of the Ministry of Transport and Communications (Department of Transport) that permission had been given to some new private shipping companies to be registered as a matter of expediency in the hope that they might be able to secure foreign exchange for acquiring additional tonnage; and
- (iii) Though shipping in the private sector is expanding rapidly, its growth in the public sector has been comparatively slow.

12. The present policy of Government in regard to the Shipping Corporations is stated to be as follows:—

- “Shipping in the public sector should not run in competition with private shipping companies on routes on which

the private shipping companies have established themselves. The Corporations should operate only in those trades in which the private shipping companies are unwilling or unable to operate successfully, owing to uncertain prospects, or inadequacy of resources or any other reasons."

13. *The Committee feel that the policy of Government in relation to the Shipping Corporations is expressed in negative terms and lacks a positive approach. Besides, as a policy statement, it is somewhat vague and indefinite. Different interpretations have been given to it by different interests and, consequently, a kind of controversy has grown over the role of the Government Shipping Corporations so much so that the very necessity of their existence has been questioned. Besides, while the principle of filling the gap and playing a supplementary role might have been in keeping with the policy of Government a decade ago, it does not take into account the fact that the role of Government in the field of shipping has since undergone a change and that it is no longer to play the supplementary role, but the main role itself. The Committee, therefore, recommend that the policy of Government with respect to the Shipping Corporations should be redefined in a positive manner.*

II ORGANISATIONAL SET-UP

A. Establishment of Shipping Corporations

(i) *Incorporation*

14. As a result of the decision of State participation in Shipping Transport referred to in the earlier chapter, a scheme for setting up three shipping corporations in the public sector was mooted during the year 1947-48. It was contemplated that each of the corporations would have an authorised capital of Rs. 10 crores to be subscribed:—

- (a) 51 per cent by Government;
- (b) 26 per cent by an existing shipping company; and
- (c) 23 per cent by the public; failing that, by Government.

15. Negotiations for the establishment of the shipping corporations were conducted with some of the existing shipping companies and eventually an agreement was reached with the Scindia Steam Navigation Co. Ltd., Bombay, for the incorporation of a company called the 'Eastern Shipping Corporation' on the terms and conditions stipulated in the Promoters' Agreement dated the 11th March, 1950, between the Government and the Scindias. Based on these terms, the Memorandum and Articles of Association of the proposed Eastern Shipping Corporation were drawn up and were registered on the 24th March, 1950. Thus, the Eastern Shipping Corporation, the first state-cum-private owned shipping venture came into being. In view of the tight monetary conditions then prevailing the contemplated issue of shares to the public was not made. The Government, therefore, decided to take up 74 per cent of shares, leaving 26 per cent to the Scindias.

(ii) *Policy of Mixed Ownership*

16. This was an experiment in the policy of 'mixed ownership'. The author of the policy, Shri C. H. Bhabha, the then Commerce Minister, put it forth in the belief that it would considerably help the cause of Indian shipping if corporations were started where the State and enlightened private enterprise could work together for running shipping services. The policy did not, however, appeal to private shipowners. Although the policy was enunciated at the end of 1947 the first Corporation came into existence only in 1950. The delay in constituting the Corporation was stated to be due to the protracted negotiations with the Scindias. The proposal to set up the other two Corporations did not make any progress because the companies which were to be associated with them did not evince interest. In the circumstances, it was decided in 1956 to float a second Corporation as a wholly-owned Government concern. The Western Shipping Corporation was accordingly set up in 1956. When the Indian Companies Act,

1956, came into force, Scindias ceased to be the Managing Agents of the Eastern Shipping Corporation under Section 325(1) of that Act. The Directors nominated by Scindias tendered their resignations when a decision was taken to repay Scindias' share capital. After repatriation of the Scindias' share capital, the Corporation has become completely State-owned. Thus, the brief period of experiment in mixed ownership came to an end.

(iii) *Delay in establishment*

17. For achieving the objective of attaining a target of 2 million tons, one of the decisions taken by Government was to set up three Corporations in one year. It took three years to set up the first Corporation and nine years to set up the second. The proposal to set up the third Corporation has, for the present, been shelved. *The delay in setting up the Shipping Corporations has been a major factor in retarding the development of shipping in the public sector.*

B. Managing Agency of the Scindias

18. M/s. Scindia Steamship Navigation Co. Ltd. were appointed as Managing Agents of the Eastern Shipping Corporation and an agreement was concluded with them on the 18th August, 1950. The agreement was for 20 years but it was terminated in August 1956 when the Companies Act (1956) came into force. Under the Managing Agency Agreement, the general conduct of business and management of the affairs of the Corporation were vested in the managing agents subject to the control of Board of Directors. Their remuneration was fixed as follows:

“A commission of ten per cent. of the net annual profits of the Company up to the first rupees thirty lakhs of such profits and seven and a half per cent on the excess of such profits over rupees thirty lakhs provided that when the paid up capital of the Company has stood at Rs. 10 crores for one accounting year the commission shall be ten per cent. of the first rupees fifty lakhs of such profits earned in that year and seven and a half per cent. on the excess over rupees fifty lakhs”.

19. The Managing Agents were paid the following amounts of commission:—

	Rs.
1950-51	15,991
1951-52	2,50,403
1952-53	1,37,533
1953-54	45,185
1954-55	Nil.
1955-56	3,54,551
1956-57	1,43,811

20. In addition to the remuneration paid to them as managing agents, the Scindia Steamship Navigation Company Ltd., having also been appointed as agents of the Corporation at Calcutta, were also entitled to agency commission for services rendered at that port: *Even*

though the centre of operations of the Eastern Shipping Corporation was at Calcutta, the Headquarters of the Corporation were located at Bombay, presumably to suit the convenience of the managing agents. The Committee feel that the expenditure incurred on the agency of the Scindias at Calcutta, might have been avoided had the Headquarters been located at Calcutta. Thus, the amount spent on this account could well be regarded as an additional expenditure incurred on account of the managing agents, if not as additional remuneration paid to the Managing Agents.

21. The commission paid to the Managing Agents was in addition to the management expenses incurred by the Corporation which are stated to have always revolved round 3%. The commission was paid out of the net profits of the Corporation. Thus, it would appear that the share of M/s. S.S.N. Co., Ltd., who were also the Managing Agents, in the profits of the Corporation was much greater than that of Government though their contribution to the capital of the Corporation was only one third of Government's contribution. While the amount of dividend realised by Government from the Corporation so far is about Rs. 7.5 lakhs, the corresponding amount of dividend realised by M/s S.S.N. Co. Ltd., including the managing agency commission is about Rs. 12 lakhs. *Under the circumstances, the Committee cannot but feel that the terms of the Managing Agency were not in the interest of Government.*

22. Both the Corporations have been set up under the Company Law and as such their organisation and functions are governed by their respective Memoranda and Articles of Association. The Articles of Association of the Eastern Shipping Corporation were framed at a time when the Scindias were associated with the Corporation (for promoting the Corporation). Though their association has since been terminated, the Articles of Association have not so far been amended. For this reason, *there are many dissimilarities between the Articles of the two Corporations with regard to the Board of Directors and certain other matters. Some of the provisions in the Articles of Association of the Eastern Shipping Corporation are also not in conformity with the present practice and, therefore, are considered anomalous. The Committee recommend that early action might be taken to amend the Articles suitably.*

C. Necessity of two Corporations

23. According to the original plans the three Corporations were to have a fleet of 100,000 GRT each. As stated earlier, two Corporations have already been set up and the proposal to set up the third one has been shelved. The two Corporations together own a tonnage of about 60,000 GRT and orders have been placed for additional tonnage amounting to 52,000 GRT. By the end of the Second Plan, the total tonnage of the two Corporations would be about 112,000 GRT. In the circumstances, a doubt has arisen whether it was necessary to set up the second Corporation and whether the additional tonnage and the new services could not have been entrusted to the existing Corporation itself. Further, a question has also arisen whether in the present circum-

stances it is necessary to maintain the two Corporations separately or it is advantageous to amalgamate them.

24. It was explained during evidence by the representatives of the Ministry that the intention of Government was that one of the Corporations should specialise in tramp trade on certain specified routes and, for this reason, it was thought desirable to have a separate Corporation. It was also explained that the two Corporations would have a common organisation and no additional expenditure would be involved in maintaining the Corporations separate. However, since the Corporations are not likely to operate tramp services on the same routes on which they operate liner services and it is stated to be possible that the corporation which operates liner services on certain routes can also operate tramp services on others, *the Committee are not quite convinced of the desirability or advisability of having two separate Corporations for operating the small fleet that they own at present. They, therefore, recommend that the feasibility of amalgamating the two Corporations be considered. In any case, they hope that the assurance that no additional expenditure would be incurred on maintaining the Corporations separate would be adhered to.*

D. Board of Directors

25. There is a Board of Directors for each of the Corporations. The Directors are appointed by Government and their number varies from a minimum of four in the case of Eastern Shipping Corporation and two in the case of Western Shipping Corporation to the maximum of 11 in both the cases. The present strength and composition of the Boards of Directors are given in Appendix I.

26. The Chairman of the Eastern Shipping Corporation is also the Managing Director of both the Corporations. He is a full time employee of the Eastern Shipping Corporation. The present incumbent of this post is a retired Government official. He was in diplomatic service prior to his appointment as Managing Director.

27. A statement showing the names of Directors and the period of their service on the Boards of Directors of the two Corporations is given in Appendix II. It would be seen from the Appendix that all the directors are Government officials, except one in the case of the Eastern Shipping Corporation, who is also a retired Government official. The Committee understand that they have been appointed mainly on the ground of their holding certain offices. Whenever there is a change in the incumbency of those officers, the Directors also change, with the result that there have been very frequent changes on the Boards of Directors of the Corporations.

28. The practice of appointing Government officials on the Boards of Directors while they continue to have attachment with the Departments to which they belong is considered to be defective in many respects. Firstly, under this arrangement attention of the officials is divided between the Departments in which they are working and the company or companies to which they are nominated as Directors. In some cases when the officials are appointed on more than one Board, this problem becomes more accentuated. When a person is burdened

with multifarious duties it is difficult for him to coordinate all his activities in such a way as to be able to devote adequate attention to each one of them. Secondly, the responsibility of the officials is ordinarily confined to the representation of their departmental interests on the Board and, therefore, at times, they function as the instruments of control of the companies on behalf of the Departments to which they belong. They are influenced by the views and decisions of Government to which they are themselves a party and they bring those views and decisions to bear on the judgment of the Boards. Thirdly, as salaried employees of the Government, they have little incentive to take initiative and bestow their best efforts in the interest of the undertaking.

29. The Committee discussed this matter with the representatives of the Ministry. They stated that the present difficulty was that Government had entered business only recently and the kind of expertise required for the management of the commercial undertakings of Government was not readily available except from the business which might itself be in competition with Government business. The other difficulty was that Government standard of remuneration for people of that kind of experience was low compared to what they might get outside. It had, therefore, been found very difficult to find suitable men to be put in charge of different undertakings. They also stated that the question of associating non-officials on the Board of Directors was considered and it was decided that since they would not have any stake in the companies, it would not be desirable to appoint them. They, however, agreed that the existing system of manning the Board was not satisfactory and required to be changed. *The Committee do not appreciate the difficulties pointed out by the representatives of the Ministry. They do not think that the Government standard of remuneration being not attractive enough to secure the services of suitable persons is an insuperable difficulty. Since the standards are fixed by the Government themselves, the desirability of revising the same might also be looked into by them, if considered necessary.*

30. As regards the difficulty of finding experts, the Committee do not think that at the level of directors any specialised knowledge of running different kind of business would be essential. Such knowledge and experience might well be provided by the managerial personnel. *The Committee, therefore, do not consider it necessary to restrict the choice for manning the Boards merely to the same category of business which they are required to administer. Further, the decision of Government not to appoint non-officials on the Boards of Directors, on the ground of their having no stake in the business, is not convincing. For that matter, it could well be argued that the officials who are appointed on the Boards also do not have any stake in the concerns which they are required to administer. Prominent non-officials, drawn from public or business life, would be as much conscious of their reputation as the officials might be, in case anything went wrong when they were at the helm of affairs. The Committee, therefore, feel that what is required is to secure the best talent and experience for the management of public enterprises in the interest of the nation as a whole.*

31. *The Committee do not, however, suggest that the appointment of Government officials on the Boards should be dispensed with*

altogether. They feel that while officials known for their administrative ability and qualities of leadership would definitely be of use to the Government undertakings, the present practice of making appointment of officers, who are also entrusted with other departmental duties and are fully occupied with them, with a view to giving representation to certain concerned Ministries or Departments concerned, is not sound. In their opinion, frequent changes in the composition of the Boards, which such representation often gives rise to, is also not conducive to efficient management of the undertakings and, therefore, efforts should be made to reduce them to the minimum. The Directors should have a fairly long and fixed tenure of office so that there might be continuity and stability on the boards of the undertakings. The Committee, therefore, recommend that the question be reviewed in a comprehensive manner and a suitable pattern of organisation devised for the management of Government commercial undertakings.

32. The Director General of Shipping is the Chairman of the Western Shipping Corporation and the special director of the Eastern Shipping Corporation. He was also the Managing Director of the Western Shipping Corporation till recently. Besides, he is a Joint Secretary in the Ministry of Transport and Communications. Under the Merchant Shipping Act, the Director General of Shipping is responsible for the administration of all executive matters relating to merchant shipping. In fact, while he has to perform quasi-judicial functions in administering the law with regard to certain matters in his capacity as the Director General, Shipping, as Chairman of the Western Shipping Corporation, he is likely to become a party to the dispute which he has to decide. As such, *doubts have been expressed about the propriety of the Director General's association with the shipping corporations.*

33. During evidence the Secretary of the Ministry stated, in this connection, that the persons who actually discharged the functions under the law were different from the Director General and that though they were under the administrative control of the Director General, in technical matters, they were more or less independent. The Director General would come in only when an appeal was put before him against any of those technical men. There had, however, not been a single instance, in the past, of any appeal being lodged either from the Corporations or from the companies in the private sector. On the other hand, the Secretary further stated that the advantage in having the Director General on the Boards was that if any problems concerning the Corporations came up before Government, there might be some one knowing the background of the proposal thoroughly.

34. The Committee are not, however, happy about the position. Firstly, the Committee do not favour the combination of Secretariat and executive functions in the same person. Since the Director General, besides being Chairman and Director of the Corporations, is also the Joint Secretary to the Government of India, the Committee feel that he should be dissociated from the Corporations.

Secondly, the functions of the Director General bear a judicial aspect and in the administration of justice it is necessary that the person administering justice should not only do justice but also seem to be doing so. The association of the Director General with the Corporations is likely to prejudice this principle. Thirdly, as the Chairman of the Eastern Shipping Corporation in his speech delivered at its Seventh Annual Meeting, referred to a case of conflict of interest between the Corporation and a private company, in which the Director General had to intervene, and, as with the development of the Government Shipping Corporations, such incidents might perhaps be more in future, the Committee consider it necessary that the Director General, being the appellate authority, should be independent of the parties to the disputes. Lastly, *they feel that the proposals and problems, coming up from the Corporations, for consideration of Government, should be examined objectively by persons who are not directly connected therewith.* In view of this, the Committee feel that, if the Chairman of a Corporation, who sends the proposals, were also to be the person to consider them in the Ministry and accord approval on behalf of Government, the purpose of an objective examination would be defeated. *The Committee, therefore, strongly urge that the Director General should be dissociated with the Corporations.*

E. Relationship with Government

35. The Committee heard divergent views with regard to the relationship subsisting between the Government and the Corporations. On the one hand, it was alleged that by virtue of the appointment of the senior officers of Government to manage the Corporations, the latter were treated as extensions and parts of Government departments and were given preferential treatment in various ways. They were not allowed to function on commercial lines and, instead, were given full Government support, in season and out of season, thereby preventing them from growing up, on their own, into virile, self-contained, efficient, and prosperous business units. It was, therefore, suggested that the officials of the Ministry of Transport and Communications should not be put in charge of the management of Shipping Corporations.

36. On the other hand, the Committee were also given to understand that the Corporations in the public sector were subject to certain restrictions which were not applicable to the companies in the private sector. One such restriction, which came to the notice of the Committee, was that the Corporations did not have the freedom which the companies in the private sector enjoyed in the matter of deputing their officers out of India for canvassing business and exercising supervision over their agents. It was stated during evidence by the representatives of the Ministry, that "A private shipping company . . . was able to depute an officer to Australia . . . They sent a man to Australia to canvass the cargo. The public sector company was not allowed to send a man to Australia . . . While the private company could depute a man by obtaining foreign exchange from the Reserve Bank of India, the Corporation had to obtain prior approval of the

Administrative and Finance Ministries and it was refused"¶. *The Committee feel that such restrictions are a handicap to public undertakings especially when they have to function under competitive conditions. During evidence it was admitted by the Secretary of the Ministry that sometimes Government regulations and Government orders do stand in the way of these Corporations'. It was, however, conceded that 'public sector companies cannot run on the same lines as private sector companies'.*

37. *The Committee feel that there are many misconceptions with regard to the nature of responsibility attaching to Government in relation to the public undertakings and the nature and extent of checks and controls that have to and can be exercised over them by Government. They, therefore, suggest that the whole question may be reviewed comprehensively and a sound and well defined relationship established between the companies and the Government.*

F. Location of Head Office

38. The Head Office of the Eastern Shipping Corporation has been located at Bombay. As the Western Shipping Corporation has no separate organisation, the head office of the Eastern Shipping Corporation is functioning as the head office of the Western Shipping Corporation also.

39. The major services of the Eastern Shipping Corporation namely, the India/Australia and the India/Far East Services, on which six out of eight ships owned by the Eastern Shipping Corporation are placed, start and terminate at Calcutta. The freight earnings of the Corporation and its expenses, especially on repairs, are the heaviest at that port. There is only one service, namely, the Bombay/East Africa passenger-cum-cargo service, which is operated from Bombay. In the circumstances, *the Committee fail to understand what advantage was obtained by locating the head office at Bombay.*

40. Besides, although the Eastern Shipping Corporation started its operations with the Calcutta/Australia service, it did not establish even a branch office at the centre of operations. The Corporation was functioning through the Scindias, as agents, for which they were paid additional remuneration. Though a branch office has been opened recently, the agency of the Scindias has not been terminated. *The Committee believe that the Corporation might have been able to do without the agents at Calcutta had its head office been located at that port and thereby economised in expenditure on this score.*

41. It has been pointed out to the Committee that since the head office is located at Bombay, whereas the majority of its vessels begin and terminate their operations at Calcutta, the control over expenditure and other matters cannot be as intense as it should be. *It has,*

therefore, been suggested that the organisational set-up at that end must be reconsidered and, from practical point of view, the headquarters of the Eastern Shipping Corporation should be located at Calcutta. *The Committee recommend that the question of the proper location of the headquarters of the Corporation might be reviewed with particular reference to the future pattern of its operations.*

G. Branch Offices

42. As stated above, a Branch office has been opened recently in Calcutta. It seems to have a limited function of looking after the survey and repairs of the vessels and ensuring their proper maintenance and functioning. *The Committee fail to see why, when the branch office has been set up, the agency functions of the Scindias have also not been transferred to that office and whether maintenance of an establishment for the limited function of looking after the survey and repairs, which are in any case contracted out, would be justified. They, therefore, recommend that the agency functions at Calcutta may be entrusted to the Branch Office there as early as possible.*

43. The Corporation has set up another branch office at Mombasa in British East Africa. The office was set up in 1954. The business secured and expenditure incurred by Mombasa Office are as follows:—

		Business Secured (Freight and Passenger Money)	Expenditure incurred (Management Expenditure)	Ratio of (1) to (2)
		Rs.	Rs.	
June	1954-55	13,97,850	1,00,668	7.1%
	1955-56	18,97,947	1,22,743	6.4%
	1956-57	23,02,786	1,13,137	4.9%
	1957-58	23,64,621	98,852	4.1%

44. The Committee are glad to observe that the Mombasa office has registered a steady progress in securing business for the Corporation and that the ratio of expenditure (Management Expenses) to the amount of freight and passage earnings has been falling. They, however, find that the percentage of expenses to earnings of the branch office is even now higher than the general ratio of management expenses to earnings of the Corporation which is stated to be 3%. *The Committee, therefore, recommend that the Corporation might endeavour to make further improvement in this respect.*

45. Barring the offices at Calcutta and Mombasa, there are no other branch offices of the Corporation. There are agents in all the other ports. *The Committee recommend that the economics of having branch offices vis-a-vis the agencies at various ports may be worked out from time to time keeping in view the trend of trade earnings and expenses; and, if there are prospects of securing a larger amount of business, the desirability of setting up branch offices in those places may be considered.*

III

ROUTES

A. Programme of Operations

46. When plans were chalked out for floating the Shipping Corporations it was contemplated that the Corporations would operate the following routes with the number of ships shown against each:—

1. India-Persian Gulf	3 ships
2. India-Red Sea and Egypt	3 ships
3. India-China and Japan	4 ships
4. India-Australia	4 ships
5. India-East and South Africa	2 ships
6. India-U. K. and Continent	4 ships
7. India-North and South America East and West Coast Ports to begin with	6 ships
8. Calcutta, Madras and Straits.	2 ships

47. The Eastern Shipping Corporation is at present operating on the following routes:—

Name of the route	Countries covered in each route	Number of Ships operating on each route
East Coast India-Australia	India-Australia (Ceylon on return voyage only).	3 ships.
Calcutta-Far East	Ports including and North of Kakinada on the East Coast of India, Burma Malaya, Hongkong and Japan.	4 ships. (1 chartered).
Bombay-East Africa	West Coast of India Seychelles and British East Africa.	1 ship.
Madras-Singapore	India, Malaya, and Singapore.	1 ship.
India Mainland Andamans	East Coast of India and Andamans Islands.	2 ships.

48. The Western Shipping Corporation owns at present only one tanker and that has been chartered to Messers Burmah Shell Oil Storage and Distributing Company of India Ltd., London for a period of three years. It is stated to be the intention of the Government that this Corporation should operate the India-Poland and some other services. The Corporation also intends to function on the Persian Gulf Line from which a Private Shipping Company already functioning proposes to withdraw shortly. It is also stated that at a later stage the Corporation may expand its operation to the Red Sea.

B. Allotment of Routes

(i) Policy:

49. The Committee were given to understand that the routes on which the Corporations operate are allotted by Government. While they appreciate the need for Government to reserve the authority to issue directions with regard to allotment of certain routes in the national interest *they do not see why Government should take over the entire responsibility with regard to the selection of routes for the Corporations. They believe that the responsibility of Government in this respect should be limited to laying down a broad policy within which the Corporation should have discretion to select the best and the most profitable routes in accordance with commercial methods.*

(ii) Essential Routes:

50. The Committee realise that the Corporation may have to operate on behalf of Government certain routes for reasons other than economical or with the object of promoting trade on those routes. They, therefore, recommended that *such cases should be declared as essential routes so that if they happen to be uneconomical, the Corporations might, if necessary, be subsidised and the working of the Corporations on those routes evaluated in that light.*

51. It is stated that shipping is essentially a trade problem. Some important figures of Indian trade as published* by the Central Statistical Organisation are given in Appendix III. It may be observed therefrom that major portion of Indian trade is with U.K., U.S.A., Germany and Japan. The Corporations have not introduced any service to U.K., U.S.A. and Germany. The Eastern Shipping Corporation has placed three ships, which are considered to be grossly inadequate, on the route to Japan. The Eastern Shipping Corporation has placed three ships on the route to Australia. The volume of trade with that country is comparatively low and the vessels on the route are stated to have often experienced paucity of cargo. Considering these facts, *the Committee feel that even though the routes selected for the Eastern Shipping Corporation are stated to be good, yet the route and service pattern of the Corporations might have been better.*

(iii) Selection of Routes:

52. During evidence the representatives of the Ministry of Transport and Communications were asked what was the basis for selection of the routes for the Corporation. It was stated in reply that there was no principle drawn up for selection of routes except that the Government Corporation should not compete with the private companies

* Statistical Abstract, India, 1955-56.

on the routes on which they had established themselves. The private companies had been operating on the India/U.K. route and as such the Corporations could not launch their service on that route. The only routes that were available for the Eastern Shipping Corporation were the India-Far East and the India/Australia routes and they were allotted to them. Then, one service had to be started on India-Poland route under the agreement with Poland. Since the private sector was not willing to go into that route the Corporation had to take the route also and it was allotted to the Western Shipping Corporation. *The Committee feel that this way of selecting the routes for the Corporation is not methodical. While the policy of avoiding competition with the private companies and filling the gaps may be a guiding factor, the Committee do not believe that it can be the sole criterion for selection of routes. In their opinion, the question of a Corporation entering a particular route should be determined by considering the nature and volume of trade carried on in that route and the share of trade that can be secured for Indian Shipping. While there may be many routes on which private companies are not operating, there might be scope for selection among those routes on the basis of the economics of each. The Committee recommend that the Government and the Corporations should evolve a proper procedure for selection of routes in future in the light of the fore-going remarks.*

(v) *Study of Routes:*

53. It is said that 'trade routes need continual study'. When the Committee enquired whether either the Director-General, Shipping, or the Government Corporations were doing any such study, it was stated that the trade routes in the private sector would be studied by the companies in the private sector. The routes in the public sector were being studied by the Corporations and the Shipping Co-ordination Committee would be reviewing matters relating to development of new routes. It was, however, stated that no study had been made of the routes which could be treated as essential trade routes. *The Committee recommend that the route pattern of the Government Shipping Corporations should be reviewed from time to time and if it is found that the route pattern is out of tune with the trade pattern or that by some alteration in the route pattern within the broad policy laid down by the Government the results of the operations could be improved upon, such alterations should be made.*

(v) *Indemnity Agreement:*

54. The Government of India have entered into an agreement with the Eastern Shipping Corporation wherein they have undertaken to make good, from accounting year to accounting year, losses incurred by the Corporation in carrying on the business of the Corporation on account of the fact that allotment of routes to the Corporation has been reserved by the Government of India. The question of allotment of routes by the Government of India to the Corporation has been dealt with in para 49. *The Committee believe that the Government should allot to the Corporations only such routes as are considered essential leaving the other routes to be selected by the Corporations themselves*

and the question of paying indemnity should be limited to losses incurred on the essential routes allotted by Government. They, therefore, suggest that the terms of the Indemnity Agreement may be modified accordingly.

C. Coastal Trade

55. During evidence, the representative of the Ministry stated that the public sector was not entitled to trade on the coast and that the Coastal Conference was very chary of their right in that it did not want any competition on the coast. The Committee were also informed that although coastal trade had been reserved for the Indian Shipping, sometimes foreign ships on charter with Indian Shipping Companies or ships owned by foreign shipping companies had to be allowed to operate on the coast. In this connection, the Committee consider the following figures* of, the coastal trade handled by Indian and certain other ships as significant:

Distinguishing Nationalities	Tonnage of vessels which entered or cleared cargoes at Indian Ports in coasting trade in 1955-56	
	(in tons) Entered	Cleared
Indian	2,297,092	1,931,801
British	1,550,559	985,384
Other countries	1,671,199	1,223,433
TOTAL	5,518,850	4,040,618

It is observed from the above figures that the amount of cargo lifted by non-Indian ships was not inconsiderable. Under the circumstance, *the Committee do not appreciate why foreign ships should have preference over the Eastern Shipping Corporation in catering to the coastal trade in spite of the declared objective of cent per cent reservation of coastal trade for National Shipping. They suggest that the matter be re-examined so as to enable the Eastern Shipping Corporation also to participate in the coastal trade, if necessary, after taking into account the likely pattern of coastal traffic in future.*

* (i) These figures have been taken from Statement No. 223 of the 'Statistical Abstract, India', 1955-56, issued by the Cabinet Sectt. The Ministry of Transport and Communications who were requested on 24th February, 1959 to verify and confirm these figures stated in reply that "Statement No. 223 does not mention that the vessels entered or cleared in ballast and, therefore, it must be inferred that they entered or cleared with cargoes on board. It is, however, not clear how much of these cargoes on board the foreign vessels was actually loaded or unloaded in the coasting trade. Nor is it clear how much tonnage out of the total tonnage of foreign vessels included in Statement No. 223 was on charter with Indian Shipping Companies We do not readily have comparative figures of cargoes lifted in the coasting trade by Indian Ships and by non-Indian Ships on charter with Indian Companies."

(ii) Extracts from enclosures to a further communication in this respect received on the 30th March 1959 from the Ministry of Transport and Communications have been reproduced in Appendix XVI.

56. During evidence the representatives of the Ministry also stated that if a regular coastal service was started from Kandla to Calcutta it would in due course get sufficiently developed. Cargo would be forthcoming from several minor ports and it would facilitate their gradual development. The Coastal Conference, did not, however, consider it economical to operate that route. It had, therefore, been put to them that if they were not willing to operate that route, the public sector would step in. The matter was still under consideration of the Coastal Conference. The Committee hope that the matter would be settled satisfactorily at an early date. In this connection, they also invite attention to the recommendations in para 140 of their 65th report for taking into account the likely future pattern of coastal trade and use of small ships for coastal traffic.

D. India/Andamans Route

57. The Home Ministry is operating a service on the India/Andamans route and has placed two ships on that route. The ships are owned by the Home Ministry and the Eastern Shipping Corporation acts as manager for the ships plying on this route. During evidence, the representatives of the Ministry stated that the service was running at a loss but the extent of loss was not known.* It was stated that the services were running under instructions of the Ministry of Home Affairs and the Chief Commissioner, Andamans. The Corporation had no organisation of its own in Andamans to assist in the operation of that route. Judging from the replies given by the representatives of the Ministry, the Committee feel that the Ministry of Transport and Communications accept no responsibility for the working of the service. It appears that the service is being operated under conditions of dual responsibility without the responsibilities of the two parties having been adequately defined. It is in their opinion not conducive to efficient management. The Committee believe that it would be better if the ownership of the ships belonging to the Ministry of Home Affairs and the allotment of the India/Andamans route were transferred to one of the Corporations. While they realise that the Ministry of Home Affairs might have certain administrative requirements on that route, they do not, however, consider that there would be much difficulty in meeting with those requirements if the ships were to be owned and operated by one of the Corporations.

58. Further, *the Committee feel that the Corporation could develop this service in such a way as to make it economical.* During

*A note submitted to the Committee on the 13th March 1959 with regard to the financial results of the India/Andaman Service is given in Appendix IV. It appears there from that full details of the financial results of operating this service even after about one year of the close of financial year (31st March 1958) were not available with Government because the corporation is only responsible for its management on the mainland side and not on the Port Blair side, which is being looked after by a Shipping Officer at that Port. This only adds weight to the Committee's view that the dual control to which the service is subject at present is not conducive to efficient management and underlines the need for its transfer to one of the Corporations.

evidence the representatives of the Ministry agreed that if the ships (operated on the India-Andamans route) became a part of a bigger fleet they could yield better results. It was also stated that if the Andamans service could be extended to Rangoon it would become profitable and the prospects of extending the service were, therefore, under consideration. *The Committee, therefore, recommend that the Ministries of Home Affairs and Transport and Communications might together review the working of the India-Andamans service and consider the possibility of transferring it to one of the Corporations and also explore the ways of improving its financial results. However, in order that this arrangement might not cause administrative inconvenience to the Ministry of Home Affairs, the right to issue directives to the Corporation with regard to the operation of this service might be reserved to that Ministry on the understanding that should the implementation of such directives result in a loss to the Corporation, the concerned route be declared as an 'essential route' or the losses reimbursed otherwise.*

59. There are several islands in the Indian Ocean like the Laccadive, Minicoy, Maldives, Amindivi, Mauritius, Madagascar, Seychelles and Reunion etc. The Committee understand that there are no regular shipping services connecting these islands with the Indian mainland. There are a large number of people of Indian origin living in those islands and they are not in a position to maintain contact with this country for want of proper means of communications. The islands also give rise to a substantial volume of trade which, for the same reason, is understood to be flowing to other countries, although India is perhaps a natural market for them. The representatives of the Ministry admitted during evidence that there was need for introducing an inter-island transport service but stated that a proposal in this respect had been examined and it was found that while from an administrative point of view it would be desirable to introduce an inter-island service, it would not be economical viewed from a purely commercial angle. *The Committee consider that if a service to these islands were to be properly routed, it might not be as unremunerative as it might appear otherwise. Even if in the initial stages the service were not to be very profitable, the Committee feel that with the establishment of a regular service the traffic and trade with these islands would develop in course of time and it would become economical. In any case, the Committee consider that first of all a survey of the traffic and trade potential of these islands should be made in consultation with the various official and non-official agencies. They also recommend that, thereafter, the desirability of starting such a service and entrusting it to one of the Corporations should be considered. In case it entails any losses, the question of declaring these routes also as 'essential', might be considered.*

E. Competition on Routes

60. It was represented to the Committee that Government shipping corporations should be the spearheads for the expansion of Indian shipping and that they should not be vested with exclusive rights to operate on the routes opened by them. In this connection a suggestion was also made that Government should after developing

new routes, encourage private companies to operate them so that Government shipping enterprise might further concentrate on the exploration of new or uneconomical routes. On the other hand, the Chairman of the Eastern Shipping Corporation, in his speech delivered at the Seventh Annual General Meeting of the Corporation, observed that while the Corporation had scrupulously adhered to the principle of avoiding competition on routes on which private shipping companies had established themselves, it was expected that on routes allotted to the public sector and on which it had established itself there should be no encroachment by the private sector. In view of this, the Committee discussed the matter with the representatives of the Ministry and were told that all the lucrative trade routes were in the hands of private shipping companies and that they would not like to enter those routes on which either the Government corporations were operating or which had been earmarked for them, except the 'India-Japan' and the 'India-Australia' routes. Under the circumstances, it was stated that if the Corporations were to withdraw from even the latter routes, they would be left with no trade at all. The representative, however, agreed that the routes on which the Corporations had not started their services so far *i.e.* the Persian Gulf and the Indo-Polish Service, they would have no objection to the private sector coming in where there was surplus cargo by entering the Conference.

61. Shipping is an intensely competitive trade and it is essential that there should be utmost cooperation amongst shipping companies flying the same flag in order to secure maximum business for the national tonnage. *The Committee, therefore, feel that a policy of mutual exclusion of private companies and Government Corporations from the routes operated by them would not be desirable at this early stage of shipping in the country. They, therefore, do not quite appreciate why if there is surplus cargo available on a particular route served by the Government Corporation or a private company, it should not be shared with other Indian companies who might have surplus capacity to offer. As such, they consider that in order that maximum traffic is secured for national shipping and that the available space is utilised to the maximum mutual advantage, there should be better coordination and cooperation among all the Indian shipping companies belonging to both the sectors. In this connection, it may be useful to refer to the practice evolved by British shipping companies summed up by a non-official shipping expert in a memorandum submitted to the Committee in the following words:—*

“There is no arrangement like water-tight compartments for the activities of the different British shipping companies. On the contrary, they work together, they cooperate with one another and they do their best to promote a living spirit of coordination amongst their various activities. They arrive at an understanding and an arrangement whereby a programme is fixed as to the routes on which different British shipping companies should run. The arrangement further stipulates

the number of ships which different shipping companies should run on different routes. Arrangements are also arrived at as to the number of sailings of different shipping companies from certain ports covering this arrangement. This gentleman's agreement has paid a very rich dividend to the British Merchant Navy. It has enabled them to present a united front to the ships of all other flags. The strength of British Merchant Navy lies in the *esprit de corps* which it has established amongst its different lines and the spirit of adjustment, compromise and co-operation which it has shown all these years".

62. *The Committee hope that similar practices would be evolved in this country as well for which vigorous efforts are required to be made.*

IV TONNAGE

A. Acquisition of Tonnage

(i) *Progress*

63. The existing fleet owned by the Eastern and Western Shipping Corporations consists of eight ships of 52,892 GRT and a tanker of 7,352, GRT respectively. Besides, the Eastern Shipping Corporation has placed orders for construction of two more ships with Messrs Hindustan Shipyard (P) Ltd. while the Western Shipping Corporation has placed orders for construction of six ships as follows:—

Name of the Yard	No. of Vessels
Lubecker Shipyard, Germany	2
Apunia Shipyard, Italy	1
Uljanik Shipyard, Yugoslavia	1
Hindustan Shipyard, Visakhapatnam	1
Harima Shipyard, Japan	1
	6

Two of the four ships for which orders are placed with the European Yards are expected to be transferred to the Eastern Shipping Corporation.* When all the ships for which orders are placed are delivered the total tonnage of the two Corporations will be 65,891 and about 47,000 respectively.

64. As stated earlier, the Corporations were set up with a view to quicken the pace of development of shipping, which, due to the resources of the private sector being limited and the private companies being diffident of making large investments in the industry, had been slow. The following statement shows the contribution made by the two Corporations to the development of Indian Shipping:

1	Private Companies 2	Eastern and Western Shipping Corpora- tions 3	Total 4	Percentage of 3 to 4 5
Tonnage in 1947 when state parti- cipation in the field of Shipping was announced	127083	..	127083	..
Tonnage in 1950 when ESC was established	390707	..	390707	..

*At the time of factual verification, the committee were informed by the Ministry that no decision in the matter had been taken so far.

Tonnage at the end of the first five Year Plan	447205	47563	494768	9.6.
Estimated Tonnage at the end of the Second Five Year Plan	648109	112891	760000	14.8

Considering that the Corporations were set up to quicken the pace of development of Shipping, *the Committee regret to observe that the progress made by them in regard to the acquisition of tonnage has been comparatively poor.*

65. It was intended that the Eastern Shipping Corporation should reach a target of 100,000 tons within two years of its formation and a provision to the effect that the Managing Agents should endeavour to acquire the necessary tonnage within the stipulated period was also included in the Managing Agency agreement. The reasons for not reaching the target within the prescribed time limit were stated to be as follows:—

(i) Scindias who were the Managing Agents of the Corporation were reluctant to increase the paid-up capital of the Corporation and contribute their share towards the increased paid-up capital for the acquisition of additional tonnage; and

(ii) During the year 1950-52 there was a sharp rise in the prices of ships as a result of the Korean War. It was not possible, therefore, for the Corporation to acquire additional tonnage at reasonable prices during that period.

66. *The Committee regret to observe that though it is eight years since the formation of the Eastern Shipping Corporation, it is still far from reaching the target of 100,000 GRT.*

(ii) *Inadequacy*

67. The Eastern Shipping Corporation has at present got eight ships of which three ships have been placed on the Calcutta/Australia route, three ships on the Calcutta/Far East route and one each on the Bombay/East Africa and Madras/Singapore routes. The Committee were informed that the number of vessels owned by the Corporation were very much inadequate for the operations of the Corporation. A non-official stated that it was a mockery to operate the Calcutta/Far East route with only three ships. In his speech delivered at the Annual General Meeting of the Corporation on 17th December, 1957, the Chairman of the Eastern Shipping Corporation confirmed that the Corporations did not possess enough vessels to provide regular service either on the India/Australia or on the India/Far East routes and stated that the Corporation required at least three additional vessels to provide a regular service on these two vital routes in the East. He assessed the immediate requirements of the Corporation at eight ships, both passenger and cargo, after providing for the replacement of three ships, including one passenger-cum-cargo vessel.

These requirements are to cater to the existing four routes, operated by the Corporation and do not take into account any programme of further expansion of the services of the Corporation. The Committee notice that even after the addition of the four vessels (two from the Hindustan Shipyard and two to be transferred from the Western Shipping Corporation), the Corporation would still be short of four ships for maintaining regular service on these routes.

68. As regards the Western Shipping Corporation, which was set up to operate initially in the India/Poland and India/Pakistan Gulf trades and, eventually, in the India/Red Sea and the India/Soviet Routes, there would only be three vessels, besides the two Tankers, by the end of the Second Plan period, for four different routes. The Committee understand that for want of adequate tonnage the Eastern Shipping Corporation has not been able to offer regular and sustained service on the routes operated by it. They also understand that for the same reason the Corporation has not been able to open new routes. *They fear that judging from the facts stated above, the services of the Western Shipping Corporation, if and when they are taken up, would be no better.*

(iii) *Imports of foodgrains*

69. It has been pointed out to the Committee that many an opportunity for a faster growth of the Corporation had been lost for one reason or another. It was stated in a memorandum submitted to the Committee that "Foodgrains were imported in millions of tons on account of Government during the pre-plan period. The quantity imported between 1946 to 1950 came to 1,32,55,000 tons or at an average more than 26,50,000 tons per year. It gave a very valuable opportunity to the Government for the development of national shipping. It is, therefore, deplorable that the Government failed to take advantage of this golden opportunity and did nothing to add substantially to the tonnage of the country. . . . Foodgrains imported by the Government during the 1st Plan period exceeded 1,18,00,000 tons. This gives the average of the import of foodgrains of 23,77,400 tons per annum. Another golden opportunity of expanding Indian tonnage was lost by the Government". During their evidence the representatives of the Ministry explained that the Ministry of Food was anxious to get the foodgrains quickly and their transport could not be delayed pending acquisition of ships therefor. Besides it was stated that the resources required to acquire the tonnage adequate to lift the foodgrains would be much greater than the resources required for payment of freight and resources of that magnitude were not available. *While the Committee agree that the resources required for acquiring all the tonnage for lifting the whole quantity of foodgrains would be too much to be attempted at any one time, they believe that with proper planning it might have been possible to acquire some tonnage out of the amount of freight paid for the import of foodgrains. As foodgrains are still being imported and such imports may continue for some more time the Committee recommend that Government might attempt to acquire some ships for the carriage of foodgrains and to reduce the recurrent drain on foreign exchange on account of freight therefor, as far as possible.*

(iv) Foreign Exchange difficulty:

70. In the course of his speech at the Seventh Annual Meeting of the Eastern Shipping Corporation, the Chairman of the Corporation stated that "Freight and charter rates have declined, newly built ships are being offered at substantially reduced prices, and attractive offers for resale of ships under construction are being received. Foreign shipyards also have begun to show interest in receiving orders for new construction. It will be a pity if we are not able to take advantage of these favourable conditions to augment our national shipping so as to achieve the target under the Second Five Year Plan."

71. The Committee were informed that it had not been possible to avail of the attractive opportunity to acquire more ships because firstly the entire financial provision made in the Second Five Year Plan for expansion of shipping had been fully committed even before the first year of the Second Five Year Plan was out and, secondly, the foreign exchange position of the country had also deteriorated. *The Committee consider it unfortunate that the country should be losing such a valuable opportunity and, therefore, recommend that Government might consider the possibility of making some readjustment in the allocation of funds under the 2nd Plan and allot additional funds for acquisition of ships.*

72. In this connection, the Committee were informed that despite the acute shortage of foreign exchange some of the private companies had been able to buy ships on self-financing basis. Under such a system no initial payment is to be made in foreign exchange. The first instalment would be paid one year after the vessel is delivered and subsequent instalments would also be payable out of the freight earnings of the vessel. There would, thus, be no or little net expenditure in foreign exchange for purchase of vessels on self-financing basis. During evidence it was stated that it was under consideration to acquire some ships for the Corporations on this basis but no orders had yet been placed. *The Committee recommend that speedy decisions might be taken in this regard so that the Corporations might be able to make purchases when the market is favourable.*

73. The Chairman of the Eastern Shipping Corporation stated in his speech at the 7th annual meeting that Government had considered the possibility of acquiring ships on deferred payment terms and had in fact accorded its approval to contracts being negotiated for fresh construction on payment of 15% of the value in foreign currency, initially, provided the builders were prepared to accept payment of the balance within seven years after delivery of the vessel. These terms were not generally acceptable but offers had been received for payment of 20 to 30% advance with the balance becoming payable in 5 years after completion of delivery. The Committee understand that these terms have not been accepted by Government with the result that no orders have yet been placed for purchase of ships on deferred payment basis. During evidence the representative of the Ministry stated that whatever allocation had been received in terms of free foreign exchange, (which is essential for the initial down payment of 25% of the

price of the vessels) had been earmarked for the private sector, and that the Corporations had not been able to tap that limited source of supply of free foreign exchange. *The Committee fail to understand why Government have imposed such restrictions on the initiative of the Corporations with regard to the acquisition of ships on deferred payment basis. They recommend that in view of the fact that the responsibility for development of shipping has been placed mainly on the public sector Government may reconsider their decisions with regard to purchases on deferred payment basis by the Corporations. In this connection, the Committee suggest that the possibility of diverting a portion of the funds allocated for payment of freight on imported foodgrains for the initial payments for deferred payment purchases may also be considered.*

74. In this connection it was represented to the Committee that the shipping industry might be permitted to utilise its foreign exchange earnings for the acquisition of additional tonnage. The representatives of the Ministry stated that the Ministry of Finance were not agreeable to this proposal as they held the view that while making the country's foreign exchange commitments all these earnings were to be taken into account and pooled together. Any exception allowed in the case of shipping would result in other industries also demanding a similar concession. The Committee, while appreciating the viewpoint of the Ministry of Finance, *suggest that having regard to the importance of the shipping industry, the feasibility of permitting the utilisation of a part of the foreign exchange, earned by the Shipping companies (private and public), for the acquisition of tonnage in future, through the Shipping Development Fund, might be considered.*

75. The Committee were given to understand that out of the 18 billion yen credit raised in Japan 5 billion yens were allocated to shipping and out of the 5 billion yens, 3 billion yens had been reserved for the public sector and the balance allocated to the private sector. They were also informed that another loan of about Rs. 12 crores in foreign exchange was being negotiated and when it materialised it would be allocated to shipping. *The Committee hope that the Corporations will take quick steps to acquire more ships with the aid of the loan funds which have been or may be allocated to them.*

(v) *Second-hand ships*

76. Out of the nine ships so far acquired by the two Corporations, six are second-hand ships. Of the six, three ships, namely the "State of Saurashtra", the "State of West Bengal" and the "State of Bombay", are stated to require replacement within less than ten years of their acquisition, in one case with less than four years. The Committee understand that the operational expenses of the Corporation have been higher on account of heavy repair charges incurred on these ships. *They believe that the operational efficiency of the Corporation would have also suffered to some extent due to the ships being out of date, and therefore, recommend that in building up their fleet with second-hand ships, the Corporations should keep in view the operation factors and the competitive aspects of the shipping business and acquire only modern and efficient ships.*

B. India-Poland Service

77. Under the agreement between India and Poland both the countries are required to place certain number of vessels on the Indo-Polish trade and the Western Shipping Corporation has been nominated as the Shipping organisation responsible for operation of ships assigned for the service. It was agreed between the two countries that while it would unquestionably be more economical to commence the service on the route with owned vessels, if it was not possible to do so the service should commence with chartered vessels. Thus, on the Polish side the Poland-India Shipping Line is stated to have already placed five chartered vessels for the the service owing to the urgent need for the transport of cargo. But the Western Shipping Corporation has not so far placed any vessels. It is stated to be not in favour of chartering vessels, and is, therefore, looking for suitable vessels for purchase. It has, however, not been able to acquire suitable ships for the service.

78. The agreement with Poland was entered into in May 1956 and the Western Shipping Corporation is stated to have been set up in a hurry to meet the obligation arising out of it. It is nearly three years since then and yet the agreement has not been fulfilled.

79. During evidence the representatives of the Ministry explained that on account of the freight rates being low it would not be economical to run vessels on charter basis. It was stated that Poland had chartered the vessels but they were long-term chartered vessels and Poland was lucky in getting chartered vessels when the market was low. Now the market had fallen and the freight rates had also fallen. *The Committee are not convinced as to why if chartering vessels was found economical enough by Poland, it should be found uneconomical by the Western Shipping Corporation. While they appreciate that the freight being low, the earnings would be less, they also believe that when the market has fallen the charter rates would also have fallen comparatively compensating for the fall in the earnings. They, therefore, recommend that the possibility of acquiring some ships on charter basis to be placed on the India-Poland service, may be reconsidered, in order, firstly, to fulfil the obligations under the agreement with Poland and secondly, to secure the traffic on the route pending acquisition of its own vessels by the Western Shipping Corporation.*

C. Balanced Fleet

80. *It has been suggested to the Committee that in building the fleet the Corporations should aim at maintaining a balance among various kinds of vessels. It has been stated that 'the composition of the fleet will depend to a large extent on the routes and the trades selected and it is suggested that in arriving at a decision in this regard the modern trend towards specialist service, in particular, bulk carrier vessels, e.g., tankers, grain carriers, or coal carriers, heavy lift vessels etc. should not be lost sight of'. The Committee commend the suggestions for consideration of the Government and the Corporations.*

*The additional information in this regard furnished by the Ministry on the 13th March, 1959 is reproduced in Appendix V.

D. Purchase of ships from the Scindias

81. The Eastern Shipping Corporation purchased both its passenger-cum-cargo ships, viz., the 'State of Bombay' and the 'State of Madras', from Messrs. Scindia Steam Navigation Co. Ltd. Prior to their purchase the ships were plying on the India/U.K. passenger service. The service having been discontinued, the ships were surplus. The decision to purchase them and the approval of the Government thereto were announced by the Chairman of the Corporation in November, 1953. They were, however, actually purchased on 25th March, 1954 and 5th May, 1954, respectively. These ships were put into operation on 21st July, 1954, and 30th October, 1954, respectively, after conversion, to suit the requirements of the trades. The ships were stated to have been built in 1948 and had a speed of 12 knots.

82. The price paid for the 'State of Bombay' was Rs. 91.7 lakhs and for the 'State of Madras' Rs. 95.5 lakhs. The expenditure incurred on their conversion was Rs. 17.7 and Rs. 19.5 lakhs respectively. The 'State of Bombay' has had to be frequently repaired. It was, therefore, decided by the Directors in January 1957 that the vessel should be laid up for one month every year for repairs in order to avoid dislocation of schedule and also inconvenience and annoyance to the passengers. The frequent repairs to the 'State of Bombay' were attributed to the defective engine which was stated to have not been maintained properly by the Scindias.

83. In this connection, the Committee find that as early as December 1955, i.e., about a year after the purchase of these ships, the Chairman of the Eastern Shipping Corporation (Shri C. H. Bhabha) observed that "The speed and other factors of the 'State of Bombay' and the 'State of Madras' are a handicap in the way of improved carriage of cargo owing to their tight schedules". In January 1957, Shri Bhabha stated that "the vessel 'State of Bombay' is considered to be somewhat unsuitable for the India/East Africa Service and your Directors have therefore decided that a new ship of slightly bigger capacity and appreciably faster speed should be built for employment in this trade releasing the 'State of Bombay' for Haj traffic". Again in December 1957 the Chairman of the Corporation stated specifically that "we. . . . need a replacement for the 'State of Bombay'." *The Committee are surprised to note that it should have become necessary to replace the 'State of Bombay' only after four years of its purchase and ten years of its being built when the normal life of a ship is stated to be between 20 to 25 years. Further, they fail to understand why these slow running ships were at all purchased by the Corporation. The Committee doubt whether the survey stated to have been carried out before their purchase was thorough and satisfactory. They fear that these ships were not properly examined before they were purchased. As the replacement of one of the ships in the immediate future is likely to cause a capital loss of a large magnitude, the Committee recommend that an enquiry might be made into the matter with a view to investigating how the ships were purchased, and, if there were any negligence or irregularities in it, to fixing responsibility therefor.*

E. Contracts with foreign Shipyards

(i) Orders

84. As stated earlier, the Western Shipping Corporation has placed orders on European yards for the building of 5 vessels for its fleet. The details regarding the price and delivery dates are given below:

Name of Yard	No. of vessels & their tonnage	Price	Speed	Date of contract	Date of Delivery
1. Lubecker Shipyard Germany	2 (9300 DWT each)	DM 13977000 each (Rs. 160 lakhs).	17 Knots	Sept. 1956	June/Dec-1959-1960
2. Apunia Shipyard Italy	1 (9800 DWT)	*324800 and £45000 for extra accommodation (Rs. 161 lakhs)	15 Knots.	Nov. 1956	Nov. 1959
3. Uljanik Shipyard Yugoslavia.	1 (10510 DWT)	*£1041000 (Rs. 138.80 lakhs).	15 knots.	Dec. 1956	Jan. 1959
4. Harima Ship building & Engineering Co. Ltd., Japan	1 (10,000 DWT)	815.5 million (Rs. 108 lakhs)	13 knots	..	Oct. 1959

85. The Committee understand that recent trends in merchant shipping in advanced maritime countries are to build ships of larger size and greater speed. In this connection they learn that in USA they are building ships of 12900 DWT with a speed of 20 knots. *The Committee, therefore, recommend that in building up their fleet of ships and tankers, the Corporations should keep in touch with the latest trends in this respect.*

(ii) Escalation

86. The Committee were informed that the price of ships was subject to escalation on account of fluctuations in the prices of material, wages etc. in all cases. While in the case of ships built in Germany there is no element of fixed price and the whole price is subject to escalation, the ships built in Italy and Yugoslavia are subject to an element of fixed price to the extent of 35% and 80%, respectively, and the rest is subject to escalation. In this connection, they were told that since the prices were falling, the escalation clause would operate in their favour but the exact quantum of benefit would only be known at the time of the delivery of the vessels when all calculations would be made and necessary vouchers would be presented by the shipyards for verification. Regarding the procedure for verification, it was stated that the prices of materials and wages at the time of signing the agreement would be taken as a guide and the vouchers produced by the shipyards and the prices shown therein would be compared with the price list published quarterly by the European Coal and Steel

*Our of this amount 60 per cent is payable in Indian Rupees and 40 per cent in British Pounds sterling.

Community. The verification work was proposed to be entrusted to the staff employed in the Indian Embassies in Italy or Germany.

87. *The Committee do not consider that the proposed arrangements for the scrutiny of these vouchers are satisfactory and suggest that the examination of final payments with reference to the operation of the escalation clause should be entrusted to qualified Cost Accountants and, as far as possible, the services of the Cost Accounts Branch of the Ministry of Finance be utilised for this purpose.*

(iii) *Supervision*

88. The Committee were informed that supervision over construction of ships ordered by the Corporations from foreign yards had been entrusted to the firm of Lloyd's Register of Shipping, London, and the supervision over the construction of ships being built by Messrs. Hindustan Shipyard has been entrusted to Sir John Biles & Co., London, a firm of naval architects. The total fees charged by the Lloyd's Register of shipping for supervision of the four vessels under construction in Europe is £6,295 and the fees payable to Sir John Biles Co. for supervision of three ships delivered so far by Hindustan Shipyard (including one of the Ministry of Home Affairs) is approximately £8,700.

89. *The Committee are surprised that for supervision of construction in a Government undertaking, the Eastern Shipping Corporation and the Government have had to incur such heavy expenditure. As the Shipyard would have also engaged a separate firm of Consultants to advise them and to supervise the construction of ships, the Committee doubt if it was necessary for the Corporation to engage another firm for supervision. If, however, it was necessary to have the ships supervised by an independent authority, they feel that the services of the Mercantile Marine Department might have been utilised for the purpose. The Committee do not also appreciate why the cost of supervision of three ships in India should be higher than the cost of supervision of four ships in Europe. They, therefore, recommend that for orders to be placed for construction of ships in future the possibility of making a more economical arrangement for their supervision be considered. In this connection, the Committee learn that the Hindustan Shipyard has a scheme of deputing their technicians for intensive training abroad. They suggest, however, that with a view to reducing independence on foreign firms in this regard, a larger number of technicians trained in the Hindustan Shipyard or at the Indian Institute of Technology, Kharagpur, might be sent abroad for acquiring advanced training and more experience.*

90. The Committee understand that important private shipping companies, in addition to employing a local surveyor for supervision of ships under construction abroad, also depute an Engineering Superintendent of the respective companies to the shipyards from the time the empty-hull is launched and fitted with engines to ensure that the wiring, electrical arrangements, installation of engines, etc. is properly executed under his guidance. In addition, the Master designate of the ship is also deputed there from the time of launching to see that on

the deck side every thing is properly done. Thus, besides the final certificate by the Lloyds Surveyor, they have supervision by their own technical men at every stage. During discussions with the representatives of the Ministry, the Committee were informed that the Corporations could not depute their engineers for supervision of ships being built for them in Europe on account of the difficulty of foreign exchange.* *While the Committee appreciate the consideration given by the Corporations to the foreign exchange difficulties of Government, they feel that as large investment is involved in the ships which are under construction, it might have been advisable to spare some foreign exchange for deputing a few engineers to be associated with the different stages of construction of these ships in order, firstly, to ensure that the ships are constructed according to the specifications of the Corporations and, secondly, to provide an opportunity to the engineers to secure the know-how of the building of ships.*

(iv) *Terms with Yugoslav Yards*

91. The Committee were told that the price of the ship to be built at Yugoslavia was substantially lower than that quoted by other European Yards for a similar vessel. Besides 80% of the price was fixed (not subject to escalation) and 60% of the price was payable in Indian rupees. While discussing the possibility of placing more orders on the Yugoslavian Yard, the Committee were informed that subsequent to 1956, the Yugoslav shipyard had offered vessels on rupee payment basis. The broad terms were that 80% of the price would be paid in Indian currency against which they would buy Indian goods and the balance of 20% would be paid after one year of the delivery of the vessel. It was stated by the representatives of the Ministry of Transport and Communications that the terms had not been accepted by the Ministry of Finance on the ground that even if payments were to be made in rupees, it would involve loss of foreign exchange because the export of those goods would have otherwise earned foreign exchange. *The Committee, however, consider that the deal might result in the generation of more export trade of Indian goods than would otherwise be and therefore might not cause any net expenditure of the foreign exchange earnings. They, therefore, suggest that the feasibility of acquiring more ships from Yugoslavia on the above terms might be reconsidered, after trying for sometime the vessel for which orders have already been placed.*

F. Contracts with the Hindustan Shipyard

92. One of the reasons for the delay in the expansion of the tonnage of the Corporation was that the Corporations had a clear liability to keep the Hindustan Shipyard engaged because private companies were not interested in placing orders with that yard. In order to keep

* At the time of factual verification, the Ministry of Transport & Communications also observed, as follows :—

“The Finance Ministry have pointed out that from the minutes of the meeting of the Board of Directors of the Western Shipping Corporation held on the 23rd December 1958, it appears that the Board had itself, in view of the opinion expressed by the Operations Manager and Superintending Engineer decided not to send Chief Engineer earlier than 3 to 4 months of the approximate time of delivery of the vessel. They have pointed out that it is not, therefore, correct that they turned down the proposals for the deputation of Chief Engineers on grounds of foreign exchange.”

the capacity of the Hindustan Shipyard at peak level, the Corporations had to place their orders with them. They had placed orders for construction of 9 ships with Hindustan Shipyard but, due to financial stringency, the number of orders had been reduced to three. Even then, there was much delay in delivery of the ships by that yard. The dates on which orders were placed on the yard and the dates of delivery of the ships are shown in the following statement:—

Name of vessel	Date of placing Order.	Date of Delivery
(1) M.V. 'State of Kutch'	1-10-52	24-10-56
(2) M.V. 'State of Orissa'	1-10-52	31-12-57
(3) Two ships of the Eastern Shipping Corporation		Not delivered Yet.
(4) One ship of the Western Shipping Corporation		Do.

93. Besides, the Committee understand that the Corporation has not yet entered into formal contract with the Hindustan Shipyard with regard to the orders placed on the latter, the reason being that the Yard was not in a position to accept the normal conditions which are incorporated in a ship-building contract. It was stated that a copy of the standard form of contract had been received recently but it was no more than a skeleton, as the actual price of the vessel, as also the various specifications, had not been indicated in the draft contract. It was stated that even in regard to the two ships delivered by that Yard to the Eastern Shipping Corporation, the contracts were still in the process of being signed without any stipulation about the delivery dates or penalty clause for delay in delivery. *The Committee regret that even after a period of seven years of working and despite the comments of the Estimates Committee contained in their Fourteenth Report (First Lok Sabha), it has not yet been possible for that yard to accept normal conditions of contract and to adhere to the stipulated dates of delivery.*

94. In this connection, the Committee understand that the Japanese employ a unique technique in building vessels which takes only six to eight months to complete a vessel. *The Committee feel that all opportunities of learning the Japanese technique in ship-building should be explored and suggest that the feasibility of deputing young technicians from the Hindustan Shipyard to Japan to acquire the know-how of the Japanese technique might be considered. They would further suggest that while placing orders on foreign Yards for building ships, it should be ensured that Indian technicians are associated with every phase of ship-building so that they might learn the techniques employed by those Yards as well. The possibility of such deputations to the Yards on which orders have already been placed might also be considered.*

G. Tanker Fleet

95. At present there is only one tanker with the Western Shipping Corporation which was acquired second-hand in January 1957. The Corporation has further placed an order for a new tanker with Messrs.

Harima Shipbuilding and Engineering Company of Japan. The prospects of acquiring more tankers, both new and second-hand, are also stated to be under investigation. *The Committee consider that the progress made in the acquisition of tankers is very slow.* They understand that the two tankers which have been acquired or are under acquisition are not sufficient to carry the whole of the existing coastal trade in oil which has been reserved to ships of the Indian flag. Further, with the prospects of finding sufficient quantities of oil in the country, there would be need for more tankers for the transport of crude and refined oil. *In this connection, they refer to the recommendation made by them in para 168 of their 65th Report (first Lok Sabha) for acquiring more tankers and urge that the same might be implemented expeditiously.*

H. Brokers

96. The Western Shipping Corporation has employed a firm of brokers in London, namely, Messrs. Harley Mullion & Company Ltd. The Committee were informed that the normal procedure for making purchase of ships was to employ the agency of brokers and that the Government had approved similar procedure being followed by the Corporation. The Vessel 'Desh Sewak' was acquired through the brokers and the building contract for a cargo vessel placed with the Apunia Shipyard was also entered into through them. It has been stated that the Corporation does not pay them any specific fees. They get their commission from the shipyards or sellers, as the case may be. As, however, the commission would be reflected in the price of the vessels payable by the buyers, certain conditions had been stipulated to the brokers, namely, that they would not charge commission higher than 2 per cent, in any single transaction, that half the commission would be paid to the Corporation and that in no case would they pay any commission to any individual.

97. *While the Committee appreciate the safeguards provided by the Corporation to minimise the incidence of the brokerage they are not convinced if it was necessary to appoint the brokers.** It does not appear that any broker was employed for purchase of any of its ships by the Eastern Shipping Corporation. The Western Shipping Corporation itself did not require the services of the brokers for placing orders for construction of ships in Germany and Yugoslavia. In the circumstances, *the Committee suggest that the necessity of continuing the services of the brokers might be examined. If, however, it is considered necessary to continue the agency of brokers, the Committee suggest that the possibility of encouraging Indian brokers to develop their activities in the field may be explored.*

* At the time of factual Verification, the Ministry observed that 'it is customary to employ brokers wherever necessary. Where a transaction can be entered into without the assistance of a broker, every effort is made to eliminate him. It is, however, not possible in all transactions to eliminate the broker. The Western Shipping Corporation was able to eliminate the services of M/s Harley Mullion & Co., the official brokers, for placing orders on German and Yugoslav Yards. It was, however, not possible to eliminate the broker of the German Shipyard namely, Fisher & Co., neither by the Scindias nor by the Corporation.

V

OPERATIONS

A. Liner versus Tramps

98. The Eastern Shipping Corporation operates mainly liner services. It has become a member of several shipping conferences.* The Western Shipping Corporation however has not joined any conference. It is stated to be the intention of Government that the Western Shipping Corporation would not enter conferences and would operate only tramp services.

99. The Eastern Shipping Corporation operates cargo service on the Calcutta-Australia and Calcutta-Far East routes and passenger-cum-cargo service on the Bombay-East Africa and Madras-Singapore routes. The Chairman of the Eastern Shipping Corporation stated in his speech at the Eighth Annual General Meeting that the general services of the Corporation suffered from the handicaps of both the liners and tramp trades because the availability of general cargo on these services at least in one direction in each case, namely, from Calcutta to Japan and from Australia to Calcutta, was very limited. The vessels had, therefore, to depend largely on the carriage of bulk cargo such as iron ore and scrap from Calcutta and wheat and flour from Australia. In this connection, the Committee were told that bulk cargo was better suited for tramp operations, than for liner services. As such, *the Committee fail to understand what special advantage is secured by the Eastern Shipping Corporation in restricting its operations to liner services.*

100. It is said that development of tramp shipping is the quickest way of securing increased participation of Indian flag in the country's overseas trade and that tramping offers much better opportunities for the fuller employment of the available tonnage because of the unrestricted freedom it enjoys in carrying bulk cargoes. The Committee were informed that the Study Group of the Consultative Committee of Ship-Owners appointed to examine the shipping target for the Second Five Year Plan expressed a view that there was wide scope for Indian companies to participate in tramp shipping.

101. Conference lines are a restricted field and operation on these lines is subject to regulation by an outside authority. They also involve heavy expenditure on the network of agencies to be maintained for securing business. Still there is no certainty that ships operating liner services would get adequate traffic. The Chairman of the Eastern Shipping Corporation himself pointed out that one of the reasons responsible for the fall in earnings of the Corporation during 1957-58 was the non-availability of adequate cargoes for the Corporation's

* A list of conferences to which the Corporation has been admitted is given in Appendix VI.

vessels. It was, however, stated in evidence by the representatives of the Ministry that the volume of Government cargo was so much that even if the entire tonnage owned by the Indian companies (public as well as private) were to be mobilised, it would not be able to lift the whole of it. *The Committee consider it to be somewhat paradoxical that while Government has entered international trade on a large scale and has become a major importer and exporter, its own Shipping Corporation should be faced with dearth of cargo.* Government cargoes, especially foodgrains and ores, are essentially bulk cargoes to be suitably handled by tramps. As the trade in such cargoes emanates generally from the trade agreements between Governments, it might be possible to secure it for the Shipping Corporations without incurring any expenditure on soliciting the business. The Committee were, however, given to understand that tramp rates for the carriage of cargo were much lower than liner rates and that they were more often affected by fluctuations in international trade with the result that earnings in tramp trade would not be as much as in liner service. Nevertheless, the Committee believe that lower earnings in tramp service might be compensated by fuller utilisation of shipping space and saving on the agency commission. Taking all these factors into account, *the Committee consider it advisable for the Eastern Shipping Corporation also to take to tramp business.*

B. Trade in Iron Ore

102. Normally, exports from India to the Far East comprise of iron ore, scrap and gunnies. In this connection, the Chairman of the Eastern Shipping Corporation stated in his speech at its Seventh Annual General Meeting that export of gunnies was not large and that export of scrap was dwindling; for filling the vessels of the Corporation on outward voyages on the Calcutta-Far East routes, the Corporation had, therefore, to rely on the export of iron ore which was the monopoly of the State Trading Corporation. The State Trading Corporation had entered into an agreement with Japan for export of seven million tons of iron ore in the course of five years. The contract was stated to have been entered into on f.o.b. basis. The buyers were, therefore, free to lift the cargo by whatever vessels they chose. The Committee were given to understand that no provision was made in the agreement for giving preferential treatment to Indian shipping for the carriage of that cargo. As such, the Japanese buyers had largely reserved the trade in iron ore cargo for the ships of their own nationality. During the first year of the agreement the Eastern Shipping Corporation could not secure any traffic in the cargo. In the following year, however, the Japanese had been persuaded to allot a small volume of cargo to the Corporation but that was said to be settled at a very low rate.

103. The Committee discussed this matter with the representatives of the Ministry and Corporation at length. During their visit to Corporation's office at Bombay, the Sub-Committee of this Committee were informed that the Japanese were keen upon reserving the traffic in the iron ore to their own vessels and, therefore, would offer only very low price for the ore in case it was to be carried by Indian ships. As the State Trading Corporation was anxious to obtain maximum

price for the ore, it agreed to f.o.b. terms for its export. During their evidence, it was stated by the representatives of the Ministry that the State Trading Corporation wanted that the freight rates for carriage of iron ore should be the same as quoted by the Japanese; but none of the Indian shipping companies was prepared to lift the cargo on those rates. *The Committee are surprised that although the State Trading Corporation and the Eastern Shipping Corporation are both Government undertakings and the Director General of Shipping who is the Special Director of the Eastern Shipping Corporation is also a Director of the State Trading Corporation, there was no coordination between the two Corporations with the result that while negotiating the agreement with Japan, the State Trading Corporation overlooked the interests of the Eastern Shipping Corporation.* The Committee were given to understand that the Eastern Shipping Corporation was not even taken into confidence while negotiating the agreement and, as such, its Managing Director had to fly to Japan with a view to securing some cargo directly from the Japanese buyers. *The Committee, therefore, suggest that in future effective steps should be taken to ensure better co-ordination amongst the various State undertakings.*

C. Shipping Coordination Committee

104. The Government of India have set up a Committee known as the Shipping Coordination Committee with a view to establishing better liaison between the various Ministries of the Government of India and other organisations on the one hand and Indian shipping on the other, so that more intensive use could be made of Indian shipping for handling Government trade. The resolution under which the Committee was set up is given in Appendix VII.

105. It is one of the functions of the Shipping Coordination Committee to act as a clearing house of information in regard to the availability of Government cargo and space in the Indian ships with a view to making the most effective use of the available Indian tonnage and also to advise on the best and most economical shipping arrangements possible for the Government owned cargo in case Indian ships are not available. It was represented to the Committee that the Coordination Committee had failed to achieve the object for which it was set up. It was also represented to the Committee that ship-owners were not always consulted with regard to the availability of shipping space for carriage of Government cargo. This is evident from the fact that the Eastern Shipping Corporation which is running a regular service on India-Japan route and is mainly dependent on the export of iron ore for its business was not associated with the negotiations with regard to the agreement for export of iron ore to Japan. *The Committee, therefore, strongly urge that the machinery of the Coordination Committee might be made a more effective instrument for securing co-ordination among different shipping interests.*

106. The Committee were informed that one of the reasons for the failure of the Coordination Committee to achieve its object was that the Government while offering the cargo to Indian ships ask for the carriage of cargo at tramp rates which shipowners consider very

low. It has been represented to the Committee that the "rock bottom rate for charter cannot be compared with the rates of freight given by liner who have to provide continuous service at regular intervals on certain definite routes. It is also vital for building up of a Merchant Navy that the ships should be enabled to carry cargo at reasonable and remunerative rates". During evidence the representatives of the Ministry explained the position as follows:—

"The State Trading Corporation finds that in order to have export promotion of a certain article, a certain amount of freight would enable the commodity to move. If the freight is high, then the price at the other end would be so much that the commodity would never be exported. The State Trading Corporation makes enquiries about the tramping rates and finds if the tramping rate for a particular cargo from an Indian port is 60 shillings, then an offer is made to the Indian shipping company at that rate. But the Indian shipping companies are not prepared to lift the cargo at the rate. It is far too low and uneconomical for them. In that event the State Trading Corporation is not prepared to subsidise Indian shipping by paying a higher freight rate and thereby making use of Indian vessels. They are keen to encourage export promotion".

107. *The Committee feel that development of shipping is as vital as the promotion of trade and it is necessary to have a coordinated policy for development of both. They, therefore, suggest that the policy of Government with regard to the rates to be allowed to the Indian companies for carriage of Government cargo might be reconsidered.*

D. Patronage of Indian Shipping

108. While examining the estimates relating to the Ministry of Transport in 1956-57, the Committee were informed that it was under the consideration of Government to issue a directive to all the authorities concerned to the effect that—

(1) orders for import of stores equipment etc. from abroad should ordinarily be on f.o.b. terms and specific provision in this regard should exist in all such contracts;

(2) that preferably orders for such shipment should be centralised through the I.S.D., London, the I.S.M., Washington, or the Indian Embassies concerned to whom standing instruction had been issued to use Indian ships as far as possible.

(3) in the case of C.I.F. contracts, endeavour should be made to include a suitable clause to enable the utilisation of Indian ships for carrying the cargo.

The Committee understand that no such directive has so far been issued. The Committee were told that the Ministries make their own arrangements for chartering ships for bringing the cargo on their

account and no preference is given to Indian ships. The agreement entered into by the State Trading Corporation with regard to export of iron ore only adds weight to the grievance of the shipowners. It has been stated that such a practice is contrary to the national shipping policy and a suggestion has, therefore, been made that instructions might be issued to the various Ministries and State Governments to give preference to Indian ships for the carriage of their cargo.

109. The Ministry of Transport has, however, pointed out the following difficulties in issuing such instructions:—

“Ships have to be provided according to delivery schedule over a long period of time. Any delay in providing ships dislocates the supply arrangements and renders the Ministry liable to pay storage charges and demurrage. Even higher freight might have to be paid if the freight market goes up during the period of supply. On top of these uncertainties, Ministries have to reckon with the fact that there are only very few Indian ships which are available on tramp basis and a substantial part of the cargo might have to be transported in foreign tonnage regardless of whether the shipping arrangements are in the hands of the Ministries or in those of the foreign suppliers or buyers. The Indian ships which are in the liner trades are able to lift only parcels and that too only if the movement is on the routes on which they ply. On the other hand, purchase of stores on C.I.F. or F.O.R. destination basis is free from the above uncertainties since it is the responsibility of the suppliers to fix shipping and effect supply according to schedule”.

110. *While the Committee appreciate that the problem of development of shipping is fraught with many difficulties they at the same time feel that unless determined efforts are made to overcome them, Indian shipping cannot make much headway. The Committee, therefore, feel that it should be possible to issue a directive on the lines as contemplated earlier at least in respect of certain categories of contracts, if not all, in the first instance. They hope that serious attention would be given to this matter without further loss of time.*

111. The Chairman, Eastern Shipping Corporation, made reference in his speech at the Seventh Annual General Meeting of the Corporation to a tramp shipping company encroaching upon the traffic in railway materials from Japan to India which is, in his opinion, essentially a preserve of the Corporation. The Chairman of the tramp shipping company has also made reference to the matter in his speech at the Seventh Annual General Meeting of the company. While the Committee do not wish to go into the merits of the case, they consider that public controversy on such matters among shipping companies of the same flag is not desirable and suggest that such controversy might in future be avoided and matters of conflicting interests might be settled by understanding and mutual agreement.

E. Oil and Tanker Trade

(i) *Movement of Oil on the Coast*

112. With the setting up of the oil refineries, a large volume of trade has developed on the coast in oil. As the refineries import crude oil, the volume of oil in the overseas cargo is also considerable. Coastal trade being reserved to Indian Shipping, the latter is entitled to carry the whole of it. The number of oil tankers running on the coast is, however, small. Private sector is stated to be not interested in tanker trade. It is also stated that the companies which were operating tankers did not have a happy experience. Besides, the agreement with the oil refineries provide that the trade would be open to all flags subject, however, to the condition that if the Government or any Government-owned-organisation were to have tankers, the refineries would give them preference subject to their charter commitments. These factors have limited the oil trade to the Government Corporations.

113. The Western Shipping Corporation hopes to acquire a tanker fleet for movement of oil cargoes along the coast. It is intended that these vessels will be chartered to the oil companies. At present the Western Shipping Corporation owns one tanker *viz.*, 'Desh Sewak' which has been chartered to Burmah Shell. The Corporation has also placed an order for a new tanker under the Indo-Japanese Yen Loans Agreement. It is intended that this tanker, when delivered, will be chartered to Caltex. The Corporation is also stated to be investigating the prospects of acquiring other suitable tankers with a view to chartering them to Messrs. Caltex and Stanvac. In this connection, the Committee, however, understand that the tankers are built according to the specifications etc. given by the oil companies to which they are intended to be chartered. *They feel that such a practice, in effect, would amount to chartering the tankers to those companies only, in perpetuity, and would leave little scope for obtaining competitive charter rates for the owners.*

(ii) *Charter of "Desh Sewak"*

114. The tanker 'Desh Sewak' was committed to time charter to Shell Tankers Ltd., at 22 sh. 6 d. per dwt., per month until April 1958 and the Corporation had to take over charter commitments. After the expiry of the term of charter with Shell Tankers, the tanker has been chartered to Messrs. Burmah Shell Oil Storage and Distributing Co., of India Ltd., for a period of three years at 32sh. 6d. With regard to the charter rates, one of the non-officials stated as follows:—

"I do not know whether the charter rate was fixed after considering various figures. There is no competitive element in it. The Burmah Shell has got its own tankers. The Stanvac has got its own tankers. Most of these big oil companies have got their own tankers. Then, there is a very big tanker market largely owned by Scandinavian countries. They sit down and fix a rate which is a good rate and I am told the charter rate of the Western Shipping Corporation was somewhere around that rate. There is no competitive rate as such".

The Committee, therefore, feel that in order at least to know what would be the reasonable rate for chartering a vessel, the Corporation should operate a vessel directly and acquire knowledge with regard to the cost and profit that may be secured in the trade.

115. The Committee understand that the brokers, besides being paid commission on the value of the ships, are also entitled to a share of the charter hire earnings of s.t. 'Desh Sewak' which was purchased through them. Thus, they are getting 3 pence per month per dwt. on those earnings. *The Committee consider it as an unusual provision and recommend that the terms of the contract with the brokers in this respect may be re-examined*.*

(iii) *Practice of Chartering*

116. Insofar as the practice of chartering out the tankers is concerned, a non-official witness, while tendering evidence before the Committee, observed as follows:—

"It is all right that the Western Shipping Corporation chartered its tanker to an oil company at London, but I would have been still happier if they themselves worked the tanker and instead of earning £16,000, earned a little less than that, but gained valuable knowledge, and, above all, the international economics of this type of business."

During evidence, the representative of the Ministry, however, explained the position as under:—

"It is much more definite and precise if we give a vessel on charter rather than do it ourselves, because the movement of oil from one refinery to a place of consumption would depend upon the production and would depend upon so many other factors which we do not control; but the oil companies control. If we were to give a vessel every time the refinery was in a position to send its cargo to a place of consumption, probably we might have committed the vessel to some other place or it might happen that each oil company would need a vessel at that time. It would create a lot of difficulty and confusion. If we were to do it on tramping basis or on a scheduled service, when the vessels are available, the refineries may not have cargo and we would be losing money. The charter

* At the time of factual verification the Ministry stated that "It is not unusual for a broker to get a commission if he is expressly entrusted the *charter hire negotiations* with the charterer. In fact, it is the commercial practice for a broker to charge a commission for such services. The office of Burmah Shell in Bombay refused to negotiate the charter hire of the tanker and stated that the same would have to be settled in London. Therefore, the services of a broker had to be used. Originally a charter hire rate of 32 sh. was settled. The Corporation refused to pay to the broker any commission out of this amount. The broker negotiated an increase of 6 d in the rate. It was settled that, out of this increase of 6 d, he would be allowed 3 d and the other 3d, would be taken by the Corporation. Thus the Corporation were able to get a slightly higher rate over the rate originally settled. It is not possible to re-examine this transaction, which has been finalised, under which the broker has been able to get in effect his commission not from the shipowner but from the charterer, and has incidentally also benefited the Corporation".

hire is a definite money irrespective of the fact that oil company makes use of the vessel or it remains idle; wherever it is sent, it is not our concern. This is more economical. Most of the tanker trade is on charter basis. I do not think there are any scheduled services anywhere in the world. There is either the charter basis of F.A. rates, *i.e.*, on voyage basis. For example from Persian Gulf to Bombay, you pay a certain rate. Generally 90 per cent of the world tanker trade is done on charter basis”.

117. The Committee, however, understand that the tanker business is a secret preserve of the oil interests. As indigenous oil industry has recently been developing in the country, they feel that it might have been better if the tanker had been placed on a tramp or scheduled service in order to acquire experience in the trade. *The Committee, therefore, recommend that the Corporation might try to operate one or more of the vessels to be acquired in future on a tramp or on a scheduled service instead of chartering out them all to the oil companies.*

(iv) *Overseas Trade in Tankers*

118. The Committee further understand that a suggestion was made to the Corporation that if the tanker could secure a better charter rate and earn better profits on the basis of world-wide trading than on the coastal trade, the Corporation should accept such an arrangement. The representatives of the Ministry explained that it was essential to place the tanker on the coast in order to nationalise the trade on that route and to exclude foreign flags as much as possible in accordance with the policy of cent per cent reservation of coastal trade for national shipping. After the policy was accomplished, ocean-going oil trade would be taken up. *The Committee, however, feel that as the objective of the shipping policy is not limited to nationalisation of coastal trade but also envisages that a portion of the adjacent and overseas trade should be secured for national shipping the trade, which would be selected for operation at any time should be considered from the point of view of relative economics. The Committee, therefore, suggest that the Corporation might examine the economics of overseas trade vis-a-vis the coastal trade and consider placing one or more of the tankers which it proposes to acquire in future on the overseas trade.*

F. The Madras-Singapore and Bombay-East Africa Services

(i) *Agreement with B.I.S.N.*

119. The Madras/Singapore service was started in October 1950 (with a vessel, S.S. Jalagopal, chartered from the Scindias) and the Bombay/East Africa Service was inaugurated in July 1954. Both of them are passenger-cum-cargo services. The operation of service in the two routes is subject to an agreement with the British India Steam Navigation Co., which was operating on those routes prior to the entry of the Corporation. The main terms of the agreement with the British

India Steam Navigation Co. Ltd., are given in Appendix VIII. *The Committee observe that the agreement is not favourable to the Eastern Shipping Corporation. They, therefore, recommend that the possibility of having them revised, so that the Corporation may have equal rights with British India Steam Navigation Co., might be examined.*

(ii) S.S. "Jalagopal"

120. The Madras/Singapore Service was started with a vessel S.S. 'Jalagopal' chartered from the Scindias on the terms as given in Appendix IX. The period of charter of the vessel was from 1st October, 1950 to 3rd November, 1954. The total gross operating profit earned by the vessel during the period was Rs. 48,05,653 of which charter hire amounting to Rs. 45,12,706 was paid to the Scindias. *The Committee feel that the terms on which the vessel was chartered were unduly liberal and the net gain* to the Corporation on account of the service of the vessel has been very insignificant.*

(iii) S.S. 'Culross'

121. A Japanese vessel S.S. 'Culross' was chartered by the Eastern Shipping Corporation and was placed on the India/Japan route to supplement its services. The period of charter was eight months. During the period it earned Rs. 7,94,392 against which it paid Rs. 10,99,260 as charter hire. Thus, even though the vessel was stated to have been chartered at a time when the charter rates were low (17 sh. per dwt.), the operation of the vessel resulted in a loss. *The Committee suggest that the reasons for the loss might be investigated. Further, since it is understood that the number of vessels placed on the route is very inadequate, they also suggest that the possibility of placing more economically chartered vessels on the route in order to secure maximum traffic for the Corporation pending replacement thereof by owned vessels might be considered.*

G. Agents

122. For securing business for its vessels, the Corporation has appointed agents in various ports. A list of agents of the Corporation together with their terms of employment is given in Appendix X. The Committee were informed that the appointment of agents at ports in the country and abroad was made by the Managing Agents with the approval of the Board of Directors. They observe that several of these agencies, including that of Calcutta, have been given to Scindia Steamship Navigation Company Ltd., who were also the Managing Agents. *The Committee suggest that the service rendered by the agents at various ports and the terms allowed to them may be reviewed in the light, inter-alia, of the business procured by them in the past.*

* In a note furnished by the Ministry on the 13th March, 1959 the Committee were informed that out of the margin of earnings of 'S.S. Jalagopal', over Rs. 3 lakhs were spent to meet the management expenses during the period it remained on charter with the Eastern Shipping Corporation. Thus, the operation of this vessel actually resulted in a loss. This only confirms the view of the Committee that the terms of charter of this vessel were *prima facie* liberal and were responsible for the loss incurred by the Corporation.

123. The Corporation has appointed the Scindias as its agents in London*. The agency terms include the representation fee, charter commission, commission on fuel and oil and commission on store purchase. In this connection, Committee refer to para 173 of their 62nd Report (First Lok Sabha) wherein it was suggested that the Eastern and Western Shipping Corporations should become members of the Charter Committee of the Baltic Exchange so that the interests of the Government might be safeguarded in getting vessels as cheaply as possible and also in order to earn a part of the one per cent commission which the Charter Committee would be distributing among its members. The Government are stated to have accepted the suggestion in principle. In view of this, *the Committee hope that it would no longer be necessary for the Corporation to use the services of the London Agents for chartering the ships. Further, as the Corporations do not operate any service on the Indo-U.K. route, the Committee consider it desirable that the necessity of maintaining the Agency in London might be reviewed.*

124. In para 26 of the Audit Report, 1958, there is a comment with regard to an Indian Mission abroad chartering two vessels, belonging to one of the Indian Shipping Corporations, for shipment of foreign wheat purchased by Government in December 1955 and March 1956 through the London Agents instead of through the Director-General of Shipping, as required under the prescribed procedure, for which the Corporations had to pay about Rs. 26,960 to the agents as brokerage and commission. *The Committee believe that for securing Government cargo for the vessels of the Shipping Corporations, it is not necessary to have the services of private agents. The Committee hope that instructions would have been issued that, as far as possible, Government Departments should utilise the services of the Shipping Corporations for carriage of their stores, so that the Corporations might not have to pay agency commission for securing those cargoes.*

125. *The Committee are also of the opinion that for making purchases in London, the services of the Government organisation, namely, the D.G., I.S.D., London, should be utilised instead of engaging private agents for the purpose.*

126. The Committee were given to understand that it is the practice among the premier shipping companies in the private sector that in order to ensure that the agents appointed for the Corporations secure maximum business they keep a close watch over them. They were told that every agent would be asked to explain if he did not put in enough cargo or put in only low paid cargo. The agents would sometimes be called in a conference in order to understand their difficulties and to discuss their problems. Besides, the Chairman

*A note explaining the nature of various kinds of commission allowed to M/s. Scindia Steamship (London) Ltd. and the amount of commission of each kind paid to them during the last three years is given in Appendix XI.

of the Shipping Corporations or one of the directors thereof would occasionally visit the ports and meet the shippers personally in order to establish personal contact with them to ascertain that they were getting good service from the agents. The Committee were told that the Eastern Shipping Corporation was, on the other hand, not permitted to send its officers to visit foreign ports on account of foreign exchange problem. *The Committee consider that it is a false economy to save the foreign exchange involved in deputing an officer to visit foreign ports, as such visits are likely to improve the earning of the Corporation and this might help earning a larger volume of foreign exchange. They, therefore, feel that in all such matters the Corporations would do well to follow the best traditions of commercial practice.*

H. Liaison with the AITUA*

127. As regards the quality of service rendered by the Corporation to its users, the Committee were given to understand that there was a lack of human contact in the operations of the Corporations. It was, therefore, suggested that the officials of the Corporation should develop personal contact with the users of their vessels, such as, shippers and passengers. *The Committee commend this suggestion for consideration of the Corporation. In this connection, the Committee also suggest that the Corporations would do well to maintain liaison with All India Transport Users' Conference which is doing valuable work in co-ordinating the needs of the transport users with the facilities provided by the transport undertakings.*

I. Repairs

(i) Nature

128. Ship repairs fall under two categories: (1) Running repairs; and (2) survey repairs. Running repairs are carried out for maintenance and up-keep of vessels for safe and efficient prosecution of voyages. Survey repairs are again of two kinds: (1) Classification survey which is done once in four years to meet the requirements of the classification survey, and (2) the annual passenger service which is done in the case of passenger ships by the Mercantile Department of the Ministry of Transport for the safety of life at sea.

(ii) Cost

129. The cost of repairs† incurred by the Eastern Shipping Corporation during the last five years is as follows:—

	1952-53	1953-54	1954-55	1955-56	1956-57
1. Running Repairs	1,46,000 (2)	3,82,000 (3)	6,64,000 (6)	9,75,000 (6)	10,79,000 (7)
2. Annual & Special Survey	8,05,000 (2)	4,000 (nil)	2,09,000 (2)	6,09,000 (2)	18,15,000 (4)
3. Shipping & Printing	..	..	..	1,42,000 (6)	5,72,000 (7)

*All India Transport Users' Association.

†(i) Item (3) for first three years is merged with repairs.

(ii) Figures in brackets indicate number of ships.

The expenditure on repairs of seven ships owned by the Eastern Shipping Corporation during the year 1956-57 amounts to about Rs. 33 lakhs. During 1957-58 the Corporation incurred Rs. 35 lakhs on survey and repairs excluding Rs. 21 lakhs on special surveys or approximately Rs. 4.5 lakhs per vessel per annum. During evidence it was stated that for vessels which were not new the average was normal. The Chairman, however, observed in his speech at the Eighth Annual General Meeting of the Corporation that the expenses incurred on repairs were well above normal. *The Committee, therefore, suggest that the reasons for the heavy expenditure on repairs might be investigated with reference to repair charges incurred by other companies.*

(iii) *Repair facilities*

130. The Committee understand that facilities for repairs of ships in India are not adequate and that there is need for more dry docks. The Committee further understand that the question of adequacy of repair facilities is under examination of the Ships Repairs Committee set up by the Government. *The Committee hope that Government would take suitable steps to improve repair facilities on the basis of the recommendations of that Committee.*

(iv) *Repair Workshops*

131. The Chairman of the Eastern Shipping Corporation also observed at the Eighth Annual Meeting that the heavy expenditure on repairs was a drain on the resources of the Corporation and felt that it could be substantially reduced if it could be ensured that repairs were carried out at a reasonable cost. The Committee are given to understand that vessels of the Eastern Shipping Corporation and Western Shipping Corporation are given to various workshops for repairs, such as—

- (1) Hindustan Shipyard, Visakhapatnam.
- (2) Garden Reach Workshop, Calcutta.
- (3) Hooghly Dock Engineering Company, Calcutta.
- (4) Mazgaon Workshop, Bombay.
- (5) Scindias Workshop, Bombay.
- (6) Alcock Ashdown & Co., Bombay.
- (7) Mackinnon Mackenzie, Bombay.

132. *The Committee suggest that as the tonnage operated by the two Corporations would be increasing gradually the possibility of the Corporation owning a workshop for repairs of the vessels may be considered. A workshop of that nature may, besides conducting repairs of vessels, also undertake the construction of small crafts for coastal trade.*

VI FINANCE AND ACCOUNTS

A. Capital—structure

133. The authorised capital of each of the two Corporations is Rs. 10 crores divided into 10 lakh ordinary shares of Rs. 100 each. The present paid-up Capital of Eastern Shipping Corporation is Rs. 5.50 crores and that of Western Shipping Corporation is Rs. 3.5 crores. The shares of Eastern Shipping Corporation were till 1956-57 shared between the Government and the Scindia Steamships Navigation Co. in the ratio of 76:24. The Scindias' share was repatriated partly in that year and partly in 1957-58. Both the Corporations are now wholly owned by Government. Besides, the Eastern Shipping Corporation borrowed Rs. 162.50 lakhs from Government for the purchase of two ships of which the outstanding amounts as on 31st March, 1958 was Rs. 1,12,17,311.

B. Financial Results

134. The financial results of the two Corporations are shown in the following statement:

Year	Capital	Freight and other earn- ings	Operational expenses*	Profits or Losses
<i>Eastern Shipping Corporation</i>				
1950-51 . . .	2,00,00,000	43,52,000	36,91,000	+1,39,000
1951-52 . . .	3,00,00,000	90,06,000	59,06,000	+22,54,000
1952-53 . . .	3,00,00,000	86,11,000	66,42,000	+12,38,000
1953-54 . . .	4,25,00,000	97,80,000	83,46,000	+4,07,000
1954-55 . . .	5,50,00,000	1,48,00,000	1,29,52,000	-19,01,000
1955-56 . . .	5,50,00,000	2,26,94,000	1,48,08,000	+31,71,000
1956-57 . . .	5,50,00,000	2,71,76,000	1,83,85,000	+35,12,000
1957-58 . . .	5,50,00,000	2,63,64,000	2,11,68,000	+4,24,000
<i>Western Shipping Corporation</i>				
1956-57 . . .	2,69,94,424	3,89,000	3,49,000	20,000
1957-58 . . .	3,50,00,000	18,54,000	(not intimated)	3,49,000

(i) Profits and Dividends

135. As the Western Shipping Corporation has so far presented accounts only for a brief period, the Committee do not offer any comments on the working results thereof. As regards the Eastern Shipping Corporation, the percentage of profits earned by it on its paid-up

*These figures do not include all the expenses shown in the Annual Accounts of the Corporation for working out the amounts of profits/losses.

capital during the last eight years and the dividends declared by it so far are given in the table below:—

Year	Percentage of profits	Dividend declared	Share of Government	Rate
1950-51 . . .	·7%	..	..	..
1951-52 . . .	8·5%	4,00,000	3,00,000	2%
1952-53 . . .	4·1%	6,00,000	4,50,000	2%
1953-54 . . .	·94%	..	..	..
1954-55 (loss) . . .	3·5%	..	..	..
1955-56 . . .	5·8%	..	..	..
1956-57 . . .	6·4%	..	..	..
1957-58 . . .	·77%	..	..	..

A statement of the earnings of the Eastern Shipping Corporation as compared with those of other Shipping Companies for the year 1956-57 is also given in the following table:—

	Eastern Shipping Corporation	Other Companies*
Gross Profit ¹ as percentage of sales ²	13·8	18·9
Gross profit as percentage of total capital employed ³	4·2	8·2
Profits ⁴ as percentage of net worth ⁵	6·6	10·2

136. It is observed from the first Table given above that the working results of the Eastern Shipping Corporation as represented by the profits earned so far are not steady. The Corporation has also not contributed for many years any amount to the revenues of Government. The second table indicates that the earnings of the Corporation do not compare favourably with those of the other Shipping companies. In this connection, the Committee were informed by a non-official witness that shipping business was subject to fluctuations and that it took a long time to yield good results. However, *the Committee feel that the fluctuations in the working results of the Corporation have been too frequent and that the period of eight years is long enough for the public to expect stable results from the Corporation. They, therefore, suggest that the Corporation might explore the possibilities of improving its earnings and reducing its expenses in order that the net profits may be higher and that a portion thereof might also be contributed to the revenues of Government.*

* The figures relate to the average percentage earnings of the Shipping Companies worked out in the Reserve Bank Bulletin October, 1958.

¹ Including Managing Agent's remuneration, interest charges and provisions for tax but excluding depreciation.

² Freight and passage money.

³ Total net amount comprising net fixed assets and circulating capital.

⁴ Net distributed and retained profit.

⁵ Paid up capital plus all reserve (other than taxation & depreciation reserves) and balance of profits.

(ii) *Freight and passage earnings*

137. In so far as the freights and passage earnings of the Corporation are concerned, it would appear that though, in absolute terms, the amount of freight and passage money earned has risen substantially (from Rs. 43·52 lakhs in 1950-51 to Rs. 271·76 lakhs in 1956-57), the rise relative to capital investment is not as high. The rate of turn-over of effective capital in 1950-51 was about 22% and the rate of turn-over in 1956-57 and 1957-58 was about 43%*. This may suggest that either the efficiency of the investment is low or that the organisation for securing business is not effective enough or that the route pattern of the Corporation is uneconomical. *The Committee suggest that the Corporation may work out the most efficient rate of turn-over by comparison with the rates of turn-over of other companies in India and abroad, determine the defect, if any, in its investment or organisation and take suitable steps to rectify it.*

138. The Chairman of the Eastern Shipping Corporation stated in his speech at the 7th Annual Meeting that "The future prospects of the Corporation, however, are not equally rosy. The Corporation had hitherto the benefit of fairly good export/import cargoes and high freight rates. We are now going through a period of recession which might well develop into a slump. Freight rates have taken to a new low and there is a general scarcity of cargoes especially on the outward voyages." In his speech at the 8th Annual General Meeting of the Corporation he stated that in taking such mildly pessimistic view in the previous year he was over-optimistic. He reported that the waves of recession sweeping over Europe and America had affected India also and consequently the working results of the Corporation for 1957-58 were not as satisfactory as in the previous year. *The Committee however feel that the working results being unsatisfactory might not be due solely to depression in shipping business.*

139. Answering a possible criticism that private shipping companies had fared better than the Eastern Shipping Corporation during the year the Chairman of the Eastern Shipping Corporation also observed that it was because of the disparate character of services on which the Corporation and the other shipping companies operated. He explained that two of the services operated by the Corporation were passenger services which had to be run to schedule regardless of the availability of passengers or cargo. As regards the cargo services operated by the Corporation, he stated that they were open to the handicaps of both Liner and Tramp trades. As liner services, the vessels of the Corporation were not getting adequate cargo with the result that they had to carry bulk cargoes on tramp basis, while there was a precipitate and steep decline in freight rates. *The Committee feel that these observations betray either a bad selection of the services operated by the Corporation or bad management thereof. They therefore, recommend that*

*The percentage has been worked out as a ratio of the freight and passage money to paid up capital plus the unsecured loan and less the amount paid for ships under construction.

a shipping expert might be appointed to examine the working of the Eastern Shipping Corporation and to advise on the changes required to improve its results.

C. Operational Costs

(i) Review of costs

140. The percentage of operational costs to freight and passage earnings are shown below:—

Year	Percentage of operational expenses to Freight/ Passage earnings
1950-51	84·8%
1951-52	65·4%
1952-53	77·1%
1953-54	85·3%
1954-55	87·6%
1955-56	65·5%
1956-57	69·4%
1957-58	82·5%

The Committee are concerned to observe the periodic rise in the operational expenses of the Corporation. They suggest that the Corporation might with advantage ascertain the percentages of different items of cost to earnings of other shipping companies, compare them with its own, and take steps to make improvement in its cost structure where necessary.

141. In this connection, the Committee were informed that the Corporation had no system of review of operational costs. They however understand that some of the premier shipping companies in the private sector review their costs periodically and regularly. *They consider it necessary that the Corporation should also introduce such a system and be constantly on the look-out for effecting economies in expenditure.*

(ii) Cost Accounting Unit

142. The Committee understand that like other Shipping Companies, the Corporation also prepares voyage estimates and the actuals are stated to conform to the estimates except with regard to overheads. *In this connection, the Committee suggest that the Corporation might consider the desirability of setting up a Cost Accounting Unit to work out the estimates and cost of each voyage and to indicate the points where economies or other improvements would be possible. The Unit might work out a practicable operational co-efficient to judge the working of each vessel.*

(iii) *Evaluation Organisation*

143. *In this connection, the Committee also consider it desirable that in view of the fact that many of the State undertakings are not yielding profits and might not also be in a position to yield profits due to some of them assuming a social service character, there should be a separate organisation to evaluate the working of such undertakings independently of profit consideration. Such an organisation has been set up in respect of community development projects. The Committee on Plan Projects set up by the Planning Commission has organised a few teams to examine the working of irrigation and building projects. The Committee consider that it is necessary to have a similar organisation to examine the working of the Industrial and Commercial Undertakings also. They, however, suggest that the organisation to be set up in respect of such undertakings should not be an ad hoc nature but should be able to undertake examination of each undertaking periodically.*

D. Depreciation

144. The Committee understand that the Corporation has been providing for the normal depreciation allowed under the Income Tax Act. The Income Tax Act provides also for certain special depreciation allowances which do not appear to have been taken into account by the Corporation. Besides, depreciation is calculated on the historical cost of the assets. Thus, the Corporation provided upto March 1957 Rs. 1,02,84,127 for depreciation on the fleet against which three vessels became due for replacement by that time. *The Committee consider that, in the normal course, the cost of replacement of fixed assets should be raised within the business and they, therefore, feel that the rate of depreciation provided by the Corporation is not adequate for the purpose. They suggest that the Corporation might review the practice in that respect.*

E. Annual Budgets

145. The Committee understand that generally the Eastern and Western Shipping Corporations raise their share capital as and when required and the Committee were informed that there was no system of budgeting the revenue and capital expenditure of the Corporations. *The Committee consider it unbusiness-like, and, in this connection, refer to the following recommendation made in para 25 of their 20th Report (2nd Lok Sabha):*

“the undertakings should prepare a performance and programme statement for the budget year together with the previous year’s statement and it should be made available to the Parliament at the time of the annual budget. Further these bodies might also be encouraged to prepare business-type budgets which would be of use to Parliament at the time of budget discussion.”

146. *The Committee suggest that similar action might be taken by the Corporations.*

VII PERSONNEL

A. Shore and Floating Staff

147. The personnel of the Eastern Shipping Corporation are of two broad categories, namely, personnel employed on the shore and those employed on the ships. Two charts showing the number of officers of various categories and grades, employed ashore and afloat, department-wise and ship-wise, are given in Appendix XII.

148. The shore staff is divided among four divisions of the head office of the Eastern Shipping Corporation, namely, (i) Commercial Adviser's Secretariat, (ii) Commercial and Traffic Division, (iii) Operations Division, and (iv) Finance Accounts and Administration Division.

149. The function of the Commercial Adviser is stated to be to advise the Corporation in the matter of securing cargo as well as representing the Corporation at various Conferences. As there is also a separate Commercial and Traffic Manager and three Assistant Managers to deal with traffic matters, *the Committee do not consider that there is adequate justification for the existence of the Commercial Adviser's Secretariat. They, therefore, recommend that the necessity of maintaining the Secretariat may be reviewed.*

150. In the Operations Division there are an Assistant Operations Manager, a Marine Superintendent, an Engineer Superintendent and an Operations Manager. The Marine Superintendent is stated to be in over-all control of all technical work pertaining to Deck Department of ships and the Engineer Superintendent is stated to be in over-all control of all technical work relating to the Engine Department of ships. The Committee were informed that the function of the Operations Manager was to co-ordinate between them. As the Marine Superintendent and the Engineer Superintendent would themselves be of senior rank (The proposed scale of pay of the Operations Manager is 1800-100-2300 and the proposed scale of pay of the Engineer Superintendent is 1800-50-2000) with duties as those of Heads of Departments, and as they will be assisted by a Technical Officer and a Naval Architect who are also supervisory officers, *the Committee do not see any adequate justification for the existence of the post of an Operations Manager to co-ordinate between them. The Committee, therefore, recommend that the desirability of abolishing the post of the Operations Manager might be considered.*

151. In the Commercial and Traffic Division there are supervisory officers at four levels, namely, Commercial and Traffic Manager, Deputy Commercial and Traffic Manager, Assistant Manager and Junior Officers. *The Committee are not happy that even in a commercial*

undertaking there should be such an elaborate hierarchical system of organisation. They, therefore, suggest that the organisational set up of the Corporation might be reviewed and reorientated on a scientific and rational basis.

152. The Committee observe that there is variance in the total number of staff employed in each of the vessels operated by the Eastern Shipping Corporation as shown below:

1. State of Andhra	55
2. State of Bombay	138
3. State of Kutch	59
4. State of Madras	146
5. State of Orissa	58
6. State of Saurashtra	55
7. State of Travancore-Cochin	58
8. State of West Bengal	56
9. Nicobar	63
10. Andamans	78

The variation is largest in the case of the 'State of Bombay' and the 'State of Madras' and other cargo ships. The Committee were informed that for determining the staff required for a ship, the following factors would be taken into account:—

- (i) Whether the ship is a passenger ship or a cargo ship;
- (ii) The number of passengers carried in case of a passenger ship;
- (iii) Whether a motor-ship or a steam-ship;
- (iv) The tonnage and size of the ship;
- (v) The route on which the ship is employed.

153. *The Committee suggest that the strength of staff aboard the various vessels may be reviewed and where possible uniformity introduced; and, unnecessary staff, if any, be eliminated.*

B. Conditions of Service

154. There are three categories of staff employed in the Eastern Shipping Corporation:

- (i) The staff who were borrowed from the Scindias and who had finally opted for service in the Corporation,
- (ii) The staff who were recruited by the Corporation from outside during the Managing Agency of Scindias; and
- (iii) The staff who have been recruited since the termination of the Managing Agency.

155. The Committee were given to understand that the Corporation had not yet framed the conditions of service for its employees. The staff of the first two categories were on their appointment offered

the conditions of service obtaining in the Scindia Steamship Navigation Co. Ltd., which have been guaranteed to them. The staff of the third category are, however, governed by conditions determined *ad hoc*. The Committee are not happy over the existence of such diverse conditions of service in an establishment, as they do not consider that such a state of affairs is conducive to harmony amongst the staff-members. While the Committee can understand that the staff borrowed from the Scindias were offered the conditions of service obtaining in their parent organisation, they fail to see why it was considered necessary to offer those conditions to the staff recruited from outside upto 15th August, 1956. Further, they do not appreciate why it is necessary to draw distinction among the staff recruited directly upto 15th August, 1956 and thereafter. At any rate, they deprecate the inordinate delay that has occurred on the part of the Corporation in framing its own conditions of service for its employees. The Committee, therefore, recommend that the Corporation might finalise them expeditiously, regard being had to the introduction of uniformity amongst all sections of staff.

156. The Committee were informed that the conditions of service of the staff officers afloat are embodied in the agreement with the Maritime Union of India, Bombay, which represents majority of the officers. The conditions of service in respect of crew are regulated partly by the Articles of Agreement by the Government of India and partly by the decisions taken by the National Maritime Board.

C. Pay Scales

157. A comparative statement showing the scales of pay sanctioned for various categories of posts in the shore organisation of the Corporation and the scales of pay applicable to the corresponding posts in some of the other public undertakings is given in Appendix XIII. It would be observed therein that the scales of pay of several posts have not been fixed as yet. There is also no uniformity in the scales of pay of posts equivalent in rank. As regards the Heads of Departments, the scales of pay are as follows:

	Rs.
(i) Commercial Adviser	1800—100—2000
(ii) Commercial & Traffic Manager	*1500—75—1650— 75—1875—75—2100
(iii) Operations Manager	1800—100—2000— 125—2250
(iv) Finance & Accounts Officer	1000—50—1300

*The proposed revised scale of pay for the posts of items (ii) and (iii) is Rs. 1800—100—2300.

The scale of pay of the Assistant Manager in the Commercial and Traffic Division is as follows:—

	Rs.
1. Asstt. Manager Passage Deptt.	800—40—1000—50— 1250—50—1500
2. Asstt. Manager General Salary Deptt.	650 (scale not fixed)
3. Asstt. Manager Freight Salary	650 (-do-)

158. The maximum of pay of the Accountant (Rs. 1,500) is higher than that of the Finance-cum-Accounts Officer (Rs. 1,300) while the latter is the head of a division and the former is in charge of only a branch within that division. *The Committee feel that this is somewhat irrational. They, therefore, suggest that the scales of pay sanctioned for various posts may be reviewed and rationalised in the light of the duties and responsibilities attaching thereto.*

159. The Committee also observe that there is large variance in the scales of pay of corresponding posts obtaining in the different public undertakings as for instance:—

Name of Post	Name of Undertaking	Scale of Pay
<i>Manager</i>		
		Rs.
Commercial Director (formerly Traffic Manager)	Air India International.	1800—100—2300
Traffic Manager	Indian Airlines Corp.	1550—75—1850
Managers	Hindustan Shipyard (P) Ltd.	1500—75—2100
Managers	Eastern Shipping Corp.	Paid <i>ad hoc</i> .
<i>Assistant Managers</i>		
Asstt. Managers Gr. I & II	Hindustan Shipyard (P) Ltd.	500—30—650—30— 800
Asstt. Managers	Eastern Shipping Corp.	800—40—1000—50— 1500
<i>Junior Officers</i>		
Junior Officers	Air India International	250—25—500.
Asstt. Officers Gr. I & II	Hindustan Shipyard (P) Ltd.	320—20—340—(Prob.) —20—400—25—500
Asstt. Officers (Junior)	Do.	370—20—340—(Prob.) —400—25—500— 30—650

Name of post	Name of Undertaking	Scale of Pay
<i>Office Assistants</i>		
		Rs.
Office Assistant	Air India International	165—15—225—20— 345—25—370
Office Assistant	Indian Airlines Corp.	140—8—220
Asstt. (Selection Gr.)	Hindustan Shipyard (P) Ltd.	190—10—210—15— 280
Assistant (Selection Gr.)	Eastern Shipping Corp.	235—15—280—20— 300—EB—20—380
<i>Graduate Assistants</i>		
Assistant (Graduate)	Eastern Shipping Corp.	100—7—142—8—150 —10—200
Assistant (Graduate)	Hindustan Shipyard (P) Ltd.	85—6—103—7—152 —10—182
<i>Peons</i>		
Peon	Air India International	39—3—57—4—73.
Peon	Indian Airlines Corp.	50—2—80
Peon	Hindustan Shipyard (P) Ltd.	30—2—50
Peon	Eastern Shipping Corp.	30—2—42—3—54
<i>Drivers</i>		
Driver	Air India International	65—5—115
Driver	Indian Airlines Corp.	60—3—90
Driver	Hindustan Shipyard (P) Ltd.	44—3—50—4—73.
Driver	Eastern Shipping Corp.	60—4—92—5—117.

160. *The Committee do not see any valid justification for officers discharging similar duties in different public undertakings being governed by different scales of pay. They, therefore, suggest that Government might review the scales of pay obtaining in all its undertakings and revise them with the object of introducing uniformity where possible.*

D. Recruitment Procedure

161. Recruitment of shore staff to both the junior and senior posts is made by screening the applications received and a written test followed by an interview. While in the case of junior posts a Committee of Management is constituted, for senior posts a Committee of the Board of Directors is formed as and when required for making the selection. Recruitment to non-technical posts on the floating staff is made through interviews held usually by a Committee of two or three officers of the Operations Department.

162. It has been alleged that the personnel for key-positions in the Corporations give the impression of extra-political or extraneous factors influencing their selection. In this connection, the Committee refers to the recommendation contained in their Thirty-ninth Report (First Lok Sabha) regarding the creation of a separate Public Service Commission for all the undertakings in the public sector. *They feel that with the implementation of the said recommendation the allegations about undue influence being brought to be borne on the selection of officers etc. could be avoided. Meanwhile, they welcome the constitution of the Industrial Management Pool which is intended to provide the senior executive personnel for all the state undertakings and suggest that the pool may be enlarged, if considered necessary, in order that as many supervisory personnel as may be required by the undertakings are drawn therefrom.*

163. A suggestion was, however, made to the Committee that in order to tone up the administration of public undertakings an annual declaration of the relatives of Ministers, Directors, Members of Parliament, Members of Planning Commission, or officers of Government who are employed in such Corporations and who may be drawing a remuneration exceeding Rs. 500 a month, might be given in the annual report of the respective undertakings. In the Indian Companies Act also there is a provision for getting the prior sanction of the Company in case of appointment of a relative of a Director. *The Committee feel that there should be no objection to extending the principle underlying the above provision of the Companies Act to other cases mentioned above and suggest that prior to the appointment of such a person the matter should be brought to the notice of the Ministry concerned and its consent obtained. The Committee further suggest that appointments of such persons should also be mentioned in the Annual Report of the Corporation for the year when the appointment is made.*

E. Payment of Bonus

164. Prior to the management of Corporation being taken over from the Scindias the shore employees were being paid bonus, the rate thereof being determined by the Board of Directors after taking into consideration the profits made during the year. Subsequently, on the termination of the Scindias' managing agency, Government decided as a matter of policy not to pay bonus to the staff in the employ of public undertakings. In order, therefore, to compensate

the loss to staff on that account, it was decided that the shore staff on the rolls of the Eastern Shipping Corporation on the 15th August, 1956, who belonged to the Scindias and had opted for service in the Corporation should be given one increment on their time scales of pay in lieu of bonus. It was also decided to extend this concession to those recruited directly by the Corporation upto the 15th August, 1956 on the understanding that the Scindias' service conditions would apply to them. In so far as the floating staff who were guaranteed Scindias' service conditions is concerned, a good service allowance equal to fifteen days average wages per annum is paid to them. The question of granting similar allowance to those employed after 15th August, 1956 is stated to be under consideration.

165. It would be observed that there is no uniform practice followed with regard to the payment of bonus to the staff of the Corporation. *While the Committee fail to understand the distinction made between the floating staff and the shore staff with regard to the payment of allowances in lieu of bonus, they are not quite happy over the discrimination that is being made between the employees appointed on or prior to 15th August, 1956 and those recruited after that date. They, therefore, consider it desirable that Corporation should take steps to evolve a uniform practice in this respect.*

F. Technical Personnel

166. The Committee were told that there was a shortage of technically qualified personnel required for manning the ships and that the number of trainees turned out annually by the 'Dufferin' and the Marine Engineering College, Calcutta, was not adequate to meet even the current needs. They were also informed that the future requirements of staff had not been properly assessed by the Corporation. The reasons were stated to be that the future requirements of staff would depend upon the expansion of the fleet and that additional men would be recruited as and when necessary. In this connection, the Committee would like to refer to the recommendation made in para 90 of their 62nd Report (First Lok Sabha) which reads as follows:

"The Committee are inclined to believe that with the expansion of Indian shipping envisaged during the second and subsequent plans, the existing shortage of technical personnel is likely to be aggravated further. They, therefore, suggest that a very careful assessment of the requirements during the second and third plan periods should be made and steps taken from now on to increase the number of trainees suitably."

The Committee are pained to observe that no serious effort has been made in this direction even after the expiry of two years since the above recommendation was made. They would, therefore, suggest that both the Eastern and Western Shipping Corporations might take

steps to estimate their requirements of technical personnel and make a phased programme for their training in appropriate institutions in order to ensure that they are available to man the vessels which are likely to be added to their fleet in the near future.

G. Training

167. As stated in an earlier chapter, the Corporations as well as other Indian shipping companies have placed orders for the construction of new ships with foreign shipyards. There is a great scope for developing the know-how of the shipping industry by deputing technical personnel to foreign yards to be associated in the planning, designing and construction of ships. The Committee understand that some of the private shipping companies have deputed their men to such yards but the Corporations have not done so. *The Committee regret that a valuable opportunity of this kind is being lost to the country. They, therefore, recommend that even now some persons may be deputed to the shipyards to be associated in the construction of ships which are being built for the Corporations.*

NEW DELHI;
The 1st April, 1959.
Chaitra 11, 1881 (Saka)

BALVANTRAY G. MEHTA,
Chairman,
 Estimates Committee.

APPENDIX I

[Vide para 25]

Strength and the composition of the Board of Directors of the Eastern and Western Shipping Corporations

(a) *Eastern Shipping Corporation Ltd.*

1. Shri R. R. Saksena. Chairman & Managing Director
2. Dr. Nagendra Singh, I.C.S., Director-General of Shipping & Joint Secretary, Department of Transport, New Delhi Special Director
3. Shri S. S. Shiralkar, Financial Adviser (Communications), Ministry of Finance, New Delhi Director
4. Shri R. Varadachari, Retired Commissioner of Income-Tax, Bombay. Director
5. Shri P. R. Subramaniam, Deputy Director-General of Shipping (Senior), Bombay. Director
6. Shri C. P. Srivastava, I.A.S., Dy. D.G., Shipping, Bombay. Director
7. Shri C. A. Ramakrishnan, I.C.S., Director-General of Food, Ministry of Food and Agr., New Delhi. Director
8. Shri B. Arora, General Manager, Central Railway, Bombay. Director
9. Shri K. B. Lall, I.C.S., Joint Secretary, Ministry of Commerce & Industry, New Delhi. Director

(b) *Western Shipping Corporation (P) Ltd.*

1. Dr. Nagendra Singh, I.C.S., Director-General of Shipping and Joint Secretary, Department of Transport, New Delhi. Chairman
2. Shri S. S. Shiralkar, Financial Adviser (Communications), Ministry of Finance, New Delhi. Director
3. Shri K. B. Lall, I.C.S., Joint Secretary, Min. of Commerce & Industry, New Delhi. Director
4. Shri C. P. Srivastava, I.A.S., Dy. D.G., Shipping, Bombay Director

5. Shri P. R. Subramanian, Deputy Director-General of Shipping (Senior), Bombay. Director
 6. Shri R. R. Saksena, Managing Director, Eastern Shipping Corporation, Ltd., Bombay. Managing Director
 7. Shri K. K. Sahni, Joint Secretary, Dep. of Mines & Fuel, New Delhi. Director
 8. Shri B. Arora, General Manager, Central Railway, Bombay. Director
 9. Shri C. A. Ramakrishnan, I. C. S., Director-General of Food, Min. of Food & Agriculture, New Delhi. Director
 10. Shri V. N. Kohli, Deputy Controller General of Defence, Production, Ministry of Defence, New Delhi. Director
-

APPENDIX II

[Vide para 27]

(a) List of Directors of the Eastern Shipping Corporation Ltd. and their period of service on the Board

Name	Designation	Date of appointment	Date of Resignation
1	2	3	4
Shri C. H. Bhabha	Chairman	24-3-1950	1-5-1957
Shri S. Jagannathan, I.C.S.	Sp. Director	24-3-1950	24-7-1953
Shri Shantikumar N. Morarjee	Director	24-3-1950	31-1-1957
Shri R. Varadachari	„	24-3-1950	
Shri S. K. Patil	„	24-3-1950	9-11-1951
Shri A. K. Roy	„	24-3-1950	9-3-1951
Shri M. E. Rehman	„	24-3-1950	12-2-1951
Shri R. Srinivasamurti	„	24-3-1950	13-4-1951
Shri D. M. Khatau	„	24-3-1950	March 1956
Shri N. Dandekar	„	24-3-1950	23-8-1954
Shri E. S. Krishnamurthy	„	12-2-1951	28-9-1951
Shri R. Narayanaswamy	„	9-3-1951	23-1-1953
Shri A. N. Sattanathan	„	28-9-1951	28-5-1954
Shri S. Jayasankar	„	20-3-1953	23-8-1954
Shri P. R. Subramanian	„	24-7-1953	25-8-1953
Shri N. M. Buch, I.C.S.	Sp. Director	25-8-1953	5-3-1954 (expired)
Shri S. Jagannathan, I.C.S.	Director	22-2-1954	27-12-1956
Shri P. R. Subramanian	„	17-3-1954	28-5-1954
Shri B. R. Patel, I.C.S.	Sp. Director	28-5-1954	3-10-1955
Shri C. B. Parikh	Director	19-6-1954	11-4-1957
Shri B. N. Banerji	„	23-8-1954	13-6-1955
Shri R. Narayanaswami	„	23-8-1954	29-1-1957
Shri Chunilal B. Mehta	„	23-9-1954	31-1-1957
Shri P. R. Subramanian	„	15-11-1954	
Shri A. V. Venkateswaran	„	8-8-1955	14-4-1958

I	2	3	4
Dr. Nagendra Singh, I.C.S.	Sp. Director	20-2-1956	
Shri R. R. Saksena	(Managing Director) Chairman	16-8-1956 1-7-1957	
Shri Tulsidas Kilachand	Director	29-11-1956	2-2-1957
Shri S. R. Kaiwar, I.C.S.	"	29-1-1957	4-5-1957
Shri S. D. Nargolwala, I.C.S.	"	29-1-1957	9-3-1958
Shri C. P. Srivastava, I.A.S.	"	1-7-1957	
Shri C. A. Ramakrishnan, I.C.S.	"	8-3-1958	
Shri M. N. Chakravarti	"	8-3-1958	1-9-1958
Shri K. B. Lall, I.C.S.	"	22-7-1958	
Shri S. S. Shiralkar	"	"	
Shri B. Arora	"	16-10-1958	

(b) *List of Directors of the Western Shipping Corporation (Private) Ltd. and their period of service on the Board*

S.No.	Name of Director	Date of Appointment	Date of Resignation
1.	Dr. Nagendra Singh, I.C.S. (Chairman)	22-6-1956	
2.	Shri R.R. Saksena (Managing Director)	{ 22-8-1956 25-3-1958 (as Managing Director)	
3.	Shri S. S. Shiralkar	14-4-1958	
4.	Shri K. B. Lall, I.C.S.	26-6-1956	
5.	Shri C. P. Srivastava, I.A.S.	25-3-1958	
6.	Shri K. K. Sahni	25-3-1958	
7.	Shri P. R. Subramanian	26-6-1958	
8.	Shri C. A. Ramakrishnan, I.C.S.	26-6-1958	
9.	Shri B. Arora	13-9-1958	
10.	Shri V. N Kohli	26-6-1958	
11.	Shri R. Narayanaswami	22-6-1956	12-1-1957
12.	Shri S. Jagannathan, I.C.S.	26-6-1956	15-12-1956
13.	Shri S. D. Nargolwala, I.C.S.	8-3-1957	3-3-1958
14.	Shri S. R. Kaiwar	8-3-1957	3-5-1957
15.	Shri M. N. Chakravarti	26-6-1958	1-9-1958

APPENDIX III

[Vide para 51]

Value of Total Trade in Merchandise

	<i>(In lakhs of rupees)</i>			
	1955-56	1954-55	1953-54	
Imports (foreign merchandise)	675.64	633.95	552.81	
Exports (Indian merchandise)	597.71	582.74	518.70	

Value of Imports and Exports of Principal Countries

	<i>(In thousands of rupees)</i>					
	1955-56		1954-55		1953-54	
	Imports	Exports	Imports	Exports	Imports	Exports
Aden (including Protectorate)	2,06,81	6,25,98	1,42,77	6,80,85	31,51	8,99,87
Bahrein Islands	8,16,41	2,19,84	20,26,53	2,18,13	17,96,16	2,17,30
Canada (including New foundland and Labrador)	6,84,14	14,01,25	10,15,76	17,43,17	14,11,82	13,11,59

Ceylon (excluding Maldives)	9,41,50	20,26,70	7,50,76	18,56,22	5,08,84	18,30,26
Commonwealth of Australia	14,46,88	24,80,87	19,75,58	24,53,21	25,83,51	17,52,46
Kenya Colony	21,85,00	6,03,20	18,39,03	6,78,37	15,32,31	5,99,87
Singapore	13,88,90	7,91,21	15,55,76	7,03,75	16,30,54	7,79,92
Sudan	12,68,05	5,62,33	3,05,40	7,03,39	7,47,66	5,11,47
Tanganyika Territory	2,26,53	3,68,12	2,46,46	4,46,00	1,14,58	3,36,68
United Kingdom	1,72,69,17	1,64,36,56	1,53,35,86	1,88,07,58	1,43,48,25	1,50,11,52
Argentina Republic (including the Atlantic Coast of Patagonia)	6,18	11,09,29	6,82	12,50,83	2,45	19,57,24
Belgium	12,08,10	8,81,47	10,63,53	6,40,43	8,38,49	4,40,68
Burma	9,55,72	12,38,70	57,32,24	16,05,78	17,48,95	20,85,43
China (inclusive of Hong Kong and Macao)	4,37,67	6,53,50	2,03,17	2,96,43	98,57	79,67
Egypt	23,09,93	9,46,45	19,69,19	8,09,13	27,70,49	3,47,01
France	15,53,94	7,02,50	16,34,76	5,28,84	9,88,23	5,32,69
Germany, Western	60,27,83	14,75,65	40,68,07	15,11,09	30,86,72	11,60,78
Iran	14,43,65	5,16,19	4,20,29	6,08,85	2,03,74	1,52,50
Italy	16,49,54	9,54,01	20,52,44	6,51,70	23,31,83	5,09,42

	1	2	3	4	5	6
Japan	33,37,20	30,14,90	20,57,48	16,09,68	13,05,58	23,34,71
Netherlands	14,12,66	15,17,05	13,64,40	13,77,02	11,34,74	6,56
Poland	43,15	32,60	4,23,66	46,47	15,80	14,88
Saudi Arabia	15,16,29	6,02,94	16,81,49	3,05,11	14,81,65	3,47,65
Switzerland	12,06,90	89,72	10,16,75	92,95	9,12,13	75,25
United States of America	89,30,25	85,25,98	82,22,29	88,02,81	79,42,89	89,97,59
USSR	6,20,71	3,25,70	1,81,44	2,11,68	69,71	1,15,20
Indonesia	1,45,86	11,60,02	80,91	5,44,39	1,49,91	6,60,11

APPENDIX IV

[Vide Foot-note to para 57]

Note on the financial results of operating the India/Andaman service for the last two years

Two vessels, viz., m.v. 'Nicobar' and m.v. 'Andamans', were commissioned for operating the India/Andaman Service on 14-11-56 and 4-12-57 respectively, by the Ministry of Home Affairs, Government of India, and the management of this service from the Mainland was entrusted to the Corporation. From the Port Blair side this service is being managed by the Shipping Officer, there.

The Corporation collects the passage money, freight, etc. receivable on the Mainland and makes all disbursements on the Mainland side, including those for the maintenance and repairs of the vessels. As regards the service from the Port Blair side the Shipping Officer is responsible for all the collections and disbursements there. The entire transaction from the Mainland in respect of these vessels is treated on a cash basis. The receipts and payments position as on 31-3-1958 in respect of 'Nicobar' and 'Andamans' is indicated below.

	Receipts	Payments
	Rs. nP.	Rs. nP.
m.v. 'Nicobar' . . .	10,19,745·17	*17,27,951·59
m.v. 'Andamans' . . .	3,17,129·88	2,66,160·32

*includes Rs. 4,56,691·33 on account of Annual and Special Survey expenses. An 'On Account' payment of Rs. 1,75,000 has been received by us in this respect from Port Blair which sum is not included in the Receipts shown above.

The above figures do not include the overhead charges incurred by the Corporation, direct or indirect, for the management of the service from the Mainland or any commission on account of management of these vessels. This matter is still under consideration.

The financial results of operating this service could be assessed only after taking into account the working results from the Andamans side and also the remuneration payable to the Corporation etc. A statement of the earnings and expenses upto 31-3-58 received from the Port Blair Authorities, quite recently, did not give a complete picture of the transactions on that side and some elucidations have been sought for from them.

In view of the above, the difficulty in submitting the financial results of operating the India/Andaman Service at this stage would be appreciated.

APPENDIX V

[Vide Foot-note to para 81]

Note giving Additional Information with regard to the s.s. "State of Bombay" and "State of Madras"—(the procedure of purchase, inspection, valuation of the vessel, defects noticed, nature and value of repairs conducted, reasons why it had become necessary to replace it, age of the vessel, the arrangements made for replacement etc.)

The question of the purchase of t.s.s. "Jal-Azad" (renamed t.s.s. "State of Bombay") was considered by the Board as early as December 1950, while considering whether the India/East Africa trade be allocated to Scindias, the then Managing Agents of the Corporation, or whether the Corporation itself should enter the trade. It was then agreed that the Corporation would be willing to consider the purchase of "Jal-Azad" provided the terms and conditions offered happened to be acceptable to the Corporation, having regard to all the circumstances.

The question of the purchase of t.s.s. "Jal-Azad" again came up for consideration before the Board at its Meeting held on 24th April, 1952, when it was reported that certain informal consultations with Scindias had taken place and the question of purchase of Scindias "Jal-Azad" and "Jal-Jawahar" for employment in the proposed India/Africa Service and to replace the chartered ship s.s. "Jalagopal" in India/Singapore Service had been further examined. The prices of these two vessels were then indicated at Rs. 95 lacs and Rs. 99 lacs respectively on the basis of the actual cost of the vessels to the Scindia Company, together with the cost of additions, less depreciation for 1950-51 and 1951-52. The conversion cost to make these vessels suitable for employment in the above two trades was estimated at Rs. 15 to 17 lacs, subject to further close examination of the technical and the cost data. It was also then reported that these vessels might fetch £8,00,000 in U. K. or £100,00,000 in the open international market. The Chairman had then reported to the Board that the suitability of these vessels for the trades in question and the financial result of so employing them had been carefully gone into and it was the unanimous view of the Tonnage Committee that from all points of view it would be better to purchase these two vessels and thereby serve two Corporation trades rather than spend more than Rs. 2.25 crores on only one vessel for the Singapore trade, though it would have been specially designed for that trade. He also felt that the price at which these vessels were proposed to be purchased from the Scindia Company was quite fair notwithstanding that they were four years old (built in 1948) and would require a considerable sum to be spent upon them to render them suitable for the trades in which it was proposed to employ them.

Shri Jagannathan, the then Special Director, had then supported the above views of the Chairman and had stated that one year before he had taken the technical opinion of Capt. Collins, the former Chief Surveyor of the Government of India regarding the suitability of either of these vessels for the East African Service after conversion and the opinion received was favourable. Though the vessels were no doubt four years old and rather heavy on fuel

the price at which they were available appeared reasonable and fair by any standard. It was also felt that though either vessel would not be as good as one specially designed for the trade, by adopting the above proposal, the Corporation would stand a better chance of operating the services without losses and further the investment required for acquiring these two vessels would not substantially differ from the cost of one new vessel designed for the Singapore Service.

Shri Narayanaswami (Director representing the Ministry of Finance) and Shri Sattanathan agreed with the views expressed by Shri Jagannathan. Shri Khatau, representative of Scindias on the Corporation Board, stated that after the most anxious consideration of the matter from all points of view, the Scindia Board had come to the conclusion that it would be in the best interest of both the Companies if the vessels were transferred to the Corporation on the terms proposed. Shri Varadachari observed that since the vessels were proposed to be purchased on their merits at a proper valuation, obviously this was a case where there was a willing buyer and a willing seller at an agreed price. The fact that the transaction was between the Managing Agents and a managed Company did not in the circumstances make it in any way undesirable to proceed with it on the lines proposed. The Board then adopted the resolutions approving the purchase of "Jal-Azad" and "Jal-Jawahar" at Rs. 95 lacs and 99 lacs respectively, from the Scindias and requested the Managing Agents to initiate and complete the technical examination for ensuring the suitability of these vessels for employment in India/Singapore and India/Africa Services. It was then noted by the Board that it was necessary for Shri Jagannathan, Special Director, to refer the matter to the Government of India. It was also noted that tenders should be invited for carrying out necessary conversion of the vessels to make them suitable for the trades in which they would be employed and that the cost of such conversion would have to be borne by the Corporation.

At the next Board Meeting held on 2nd June, 1952, the following valuation estimates (according to valuation certificates dated the 20th May, issued by Mr. E. B. Cook, Honorary Adviser on Ship values to British Ministry of Transport, and Director of Messrs C. H. Rugg & Co., Ship Sale Brokers and Valuers) were reported.

	Jal-Azad Approx.	Jal-Jawahar Approx.
(a) As a Bri Ship U. K. Register on sale to Bri Buyers	£ 10,50,000	£ 10,60,000
(b) For sale with transfer from British Register	£ 12,00,000	£ 12,12,000

At the Board Meeting held on 29th September, 1953, the Tonnage Committee reported to the Board that the Government of India had sanctioned the sale and purchase of the ships on the terms and conditions indicated in Government letter No. 13-CD(36)/52 dated 22-9-1953, a copy of which is attached herewith (Annexure II). Accordingly, Scindias had offered the ships for sale to the Corporation on the terms and conditions sanctioned by the Government and the Committee recommended that the offer be accepted. The

Board, thereupon passed a resolution authorising the purchase of these vessels from the Scindia Company on the terms and conditions sanctioned by the Government.

A draft of the sale/purchase contract in respect of these two ships was received from Scindias and the same was referred to the Company's Solicitors. The tenders for the conversion of the ships received from (1) Mazagaon Dock Ltd., (2) Scindia Workshop Ltd. and (3) Hoogly Docking & Engineering Co. Ltd. were considered by the Board and the contract was awarded to Scindia Workshop whose quotation was most favourable. The question of Sales Tax was also examined in detail and it was ultimately decided that the Corporation would bear 50% of the Sales Tax if payable by the Scindia Company. The Board approved the contracts relating to the purchase of "Jal-Azad" and "Jal-Jawahar" at its Meetings held on the 27th March, 1954 and the 28th April, 1954 respectively.

As regards the prices chargeable by Scindia Company, the Board decided to recommend the following prices, namely, Rs. 91,72,845 in case of "Jal-Azad" and Rs. 95,52,699 in case of "Jal-Jawahar" for formal sanction as the same were in excess of the prices shown in the sanction accorded by the Government *vide* letter No. 13-CD(36)/52 dated 22nd September, 1953. This was because subsequent to the receipt of sanction of the Government, it was found that there was some error on the part of Scindias in indicating the prices of these vessels. Copies of the Sale/Purchase Contract relating to the ships are attached (Annexure III). According to the contract, the Vendors were required to have the vessels inspected both afloat and in dry dock by Lloyd's Surveyor, for inspection of all inboard parts including machinery, boilers, tanks etc. and survey of the bottom and outside parts below the waterline including rudder, propeller, tail end shaft, sea connections at their own cost before delivery and if any repairs were considered necessary by the Lloyd Surveyors, the same were to be made good by the Vendors at their cost. Copies of the Lloyd's Certificate in this behalf furnished by Scindias at the time of delivery of these vessels are attached (Annexure IV). The Scindias had agreed to bear the cost of repairs to the items referred to by the Surveyors which they have done.

As regards the question of replacement of the "State of Bombay", it may be stated that the matter is being considered from all points of view. No definite decision to replace the vessel has been taken. The reasons for investigating replacement of this vessel are, firstly, that the engine of the "State of Bombay" has given trouble on various occasions, so much so that recently its schedule was disturbed. Secondly, the consumption of oil by this engine also is relatively very high and it is felt that its substitution by a diesel engine would lead to very considerable fuel economies. Lastly, the "State of Bombay" is only able to do about 12½ knots per hour. This speed is too low for a passenger vessel, especially when we have to compete with the B.I., who have two vessels on this run, which are much better equipped than the "State of Bombay" and have better speed. We have also felt that, with the changes which have taken place in recent years in the construction of passenger vessels, it would be an advantage to provide for this service a vessel which is equipped with such up-to-date amenities as air-conditioning, swimming pool, children's play-room, etc. The decision as to whether a new vessel should be ordered for this service or the engines on the "State of Bombay" replaced will take account of all these various factors, bearing in mind the cost as also the possibility of increased earnings.

APPENDIX VI

[Vide para 98]

The Eastern Shipping Corporation is a member of the following Conferences :

(i) *India/Australia (made up of Calcutta/Australia Conference and Bombay/Australia Conference) and India/New Zealand Conference :*

Admitted as a member on 28th May, 1949. Covering trade between East Coast of India and Australia and West Coast of India and Australia respectively.

(ii) *Bay of Bengal/Japan/Bay of Bengal Conference :*

Admitted as a member on 5th September, 1956.

It is also a Member of the following Wayport Conferences and/or Freight Agreements in this trade :—

1. Straits/Calcutta Conference.
2. Straits/Rangoon Rate Agreement.
3. Malaya/China Japan Conference.
4. Hongkong/Calcutta Freight Conference.
5. Hongkong/Rangoon Freight Conference.
6. Hongkong/Straits Freight Agreement.
7. Hongkong/Japan Freight Agreement.
8. Japan/Hongkong Freight Agreement.
9. Japan/Straits Freight Agreement.
10. Malabar/Australia Rate Agreement.

APPENDIX VII
[Vide para 104]
GOVERNMENT OF INDIA
MINISTRY OF TRANSPORT AND COMMUNICATIONS
(Department of Transport)

No. 33-MS(207)/57
RESOLUTION

Merchant Shipping

NEW DELHI,
The 16th January, 1958.

The various Ministries of the Government of India have during recent years been importing cargoes on Government account on a very large scale. The bulk of these imports is carried in foreign ships and therefore the bulk of the freight payments involved go to foreign shipowners. It has been felt that with better liaison between the various Ministries of the Government of India and other Government organisations on the one hand and the Indian Shipping interests on the other, more intensive use could be made of Indian shipping for handling these imports. This would not only result in appreciable savings in foreign exchange as well as rupee disbursements for the Indian Exchequer but would also go a long way in giving a fillip to the expansion of Indian tonnage. It has, therefore, been decided that a Committee called "The Shipping Co-ordination Committee" should be set up with immediate effect with the following functions :

- (i) to act as a Clearing House of information in regard to the availability of Government-owned cargo and shipping space in Indian ships with a view to making the most effective use of the available Indian tonnage;
- (ii) to advise on the best and the most economical shipping arrangement possible for the movement of Government-owned cargoes when Indian Shipping is not available, *i.e.*, whether non-Indian vessels should be chartered and, if so, whether on time basis or voyage basis;
- (iii) generally to co-ordinate and advise on all policy matters relating to shipping, including the development of Indian Shipping.

2. The Committee will be located in the Department of Transport and shall have the following composition :—

(a) *Chairman*

Secretary, Department of Transport or, in his absence, Joint Secretary (Shipping).

(b) Members

1. Secretary, Ministry of Finance (Department of Economic Affairs) or his representative.
2. Joint Secretary, Ministry of Finance (Communications Division).
3. Joint Secretary, Ministry of Finance (Corporations Division).
4. Secretary, Ministry of Food & Agriculture, Department of Food, or his representative.
5. Secretary, Ministry of Works, Housing and Supply, or his representative.
6. Director General of Supplies and Disposals, Ministry of Works, Housing and Supply.
7. Secretary, Ministry of Commerce and Industry or his representative.
8. Chairman, State Trading Corporation.
9. Secretary, Ministry of Steel, Mines & Fuel, or his representative.
10. Chairman, Railway Board, or his representative.
11. Director General of Shipping.
12. One representative of the Indian National Steamship Owners' Association, Bombay.
13. One representative of the India Steamship Company, Ltd., Calcutta.
14. One representative of the Scindia Steam Navigation Company Ltd., Bombay.
15. One representative representing both the Eastern and the Western Shipping Corporations.

(c) The Committee will have the power to co-opt representatives of other Ministries and the Planning Commission, as and when necessary.

(d) The Committee will have a full-time Secretary with the requisite Secretariat assistance.

(e) In order to assist the Committee, there will be two Liaison Officers of the Indian Shipping concerns, one representing such concerns in the public sector and the other representing such concerns in the private sector who will attend the meetings of the Committee along with the Secretary of the Committee.

The Committee will meet as often as may be necessary.

APPENDIX VIII

(Vide para 119)

Extracts from Agreement in respect of Madras/Singapore Service

3(a) The B. I. Company and the Eastern Shipping Company may each berth one passenger-cum-cargo vessel in this trade.

(b) The B. I. Company will have the right to berth a second passenger-cum-cargo vessel in this trade during periods of peak traffic provided the two ships already operating are inadequate to meet the demand.

(c) The Eastern Shipping Corporation will refrain from berthing more than one vessel in this trade at any time.

Extract from Agreement in respect of Bombay/East Africa Service

3(a) The B. I. Company will continue to berth passenger-cum-cargo vessels in this trade as heretofore.

(b) The Eastern Shipping Corporation will berth one passenger-cum-cargo vessel in this trade.

APPENDIX IX

(Vide para 120)

Extracts from the Terms of Charter of S.S. 'Jalagopal'

The charter hire was fixed on the basis of a share in the gross operating profit, the actual amount payable being based on a sliding scale depending upon the actual G.O.P., i.e., gross earnings less direct operating charges except wages, repairs etc., which were to be borne by the Scindias. Scindias share in lieu of charter hire was agreed on the following basis:—

- (a) The entire Gross Profit if it does not exceed Rs. 8 lakhs.
- (b) If it does, then—
 - (i) 100% upto Rs. 8 lakhs;
 - (ii) 90% from Rs. 8 lakhs to Rs. 13·5 lakhs; and
 - (iii) 50 % of the excess over Rs. 13·5 lakhs provided that in case any capital expenditure is incurred by the Scindia Co., for providing additional life boat capacity for increasing the passenger capacity of the vessel Scindia shall be entitled to receive 60% of the excess over Rs. 13·5 lakhs instead of 50%.

	bharamayya & Co.	100.00	3%	..	1%	..	Being paid at actuals.
Calicut	M/s. P. L. Asher & Sons	150.00	5%	..	1½%	..	
Bedibunder	M/s. S. S. Nav. Co.	75.00	5%	..	..	..	1½ on outward passage money.
Porbander	Do.	75.00	5%	..	..	..	..
Bhavnagar	Do.	75.00	5%	..	..	..	..
Mangalore	Do.	75.00	5%	..	1½%	..	..
Port Okha	Do.	75.00	5%	..	..	..	..
Veraval	Do.	50.00	5%	..	..	..	..
Merrugao	M/s. Demp & Co. Ltd.	75.00	5%	..	..	..	..
Tuticorin	M/s. Persira & Roche	150.00	5%	1%	..	..	..
Quilon	M/s. F. X. Persira & Sons	140.00	3%	1%	..	..	1% Brokerage if paid to local port brokers.
Chittagong	M/s. S. S. Nav. Co.	250.00	5%	1½%	2½%	..	..
Chalna	Do.	250.00	5%	1½%	2½%	..	..
Rangoon	M/s. Eastern Bunkers (Burma) Limited.	250.00	5% (N. freight)	1½%	1%	5%	1½% or maximum of K. 250 on new inward freight on Govt. cargo in Bulk.
Penang	M/s. R. Jumabhoy & Sons	150.00	5%	1½%	..	5%	1% on inward freight irrespective of whether they collect freight on inward cargo or not.
P. S. HAM	M/s. Ubaidulla & Co.	150.00	5%	1½%	..	5%	..
Singapore	M/s. R. Jumabhoy & Sons	150.00	5%	1½%	..	5%	..

	1	2	3	4	5	6	7	8	9	10	11
Dares-Salaam		M/s. Karimjee Jivanjee & Co. Limited.	£10.00 (Stg.)	5% (N.F.)	1% (N.F.) whether collected or not.	..	5%	..	..	2½% if outward passage booked with Agents by sub-Agents.	2½% on return passage order. If the booking and embarking Agencies differ then 5% allowed to the Booking Agency will be equally shared by the Booking and the embarking agencies.
Zanzibar		M/s. Dwardadas Morarjee & Sons Limited.	£10.00 (Stg.)	5% (N.F.)	1% (N.F.) whether collected or not.	..	5%	..	..
Maheeychelles		M/s. Jivan Jetha & Co.	£10.00 (Stg.)	5% (N.F.)	1% (N.F.) whether collected or not.	..	5%	..	..

SUMMARY OF LONDON'S AGENCY TERMS

Port	Agent's Name	Representation Fees per Annum				Chartering Commission for Fuel Oil				Com-mission on mission	Com- on Remarks	
		One ves-sel.	Two Ves-sels.	Three Ves-sels.	Four Ves-sels.	Five Ves-sels.	One Ves-sel.	Two Ves-sels.	Three Ves-sels.			Four Ves-sels.
London	M/s. Scindia Steamships (London) Ltd.	£ 300	£ 600	£ 750	£ 900	£ 1,000	2½% of charter hire.	2% of charter hire.	1½% of Charter hire.	1½% of Charter hire.	2½% on Net Cost.	Contracts stores which is purchased through London Agents

*This benefit is being allowed to us by M/s. B. P. Ltd. London only.

SUMMARY OF EXISTING AGENCY TERMS AT HONGKONG, TOKYO & COLOMBO

Port	Agent's Name	Agency Fee per Call	Com-mission on calling for dis-charging or lad- ing	Com-mission on cargoes from India booked by them	Com-mission on cargoes from ports to India booked by them	Delivery Com-mission on general cargo dischar- ged	Passage Com-mission Direct bookings through a Travel Agency cargo	Com-mission on net frt. for parcel quantities of scrap, ferti- lizers cement, salt etc. exceed- ing 500 tons.	Remarks	
Hongkong	M/s. Hongkong & Eastern Shipping Co. Ltd.	£70.00 (Stg.)	£35.00 Stg. Calling for Ballast, Medical Bunker- atten- tion in Stores only	5%	5%	1 1/4%	5%	7 1/2% (Incl. 2 1/2% Agent's Com-mission)	1 1/4%	1%
Tokyo	Do.	£65.00 Stg.	£25.00 Stg. Nil	Nil	5%	2%	5%	7 1/2% (Incl. 2 1/2% Agent's Com-mission)	9d. per frt. ton	
Colombo	M/s. Narottam & Perreira Ltd.	Rs. 325.00 (Exceeding 100 tons in the aggregate) Rs. 300 (not exceed- ing 100 tons in the aggregate).	Rs. 300.00	5% (Com-mission on out- ward frt. if booked by them)	1 1/2% (Com-mission on in- ward frt. if booked by them)					

SUMMARY OF EXISTING AGENCY TERMS FOR ALL AUSTRALIAN PORTS

Port	Name of the Agents	Agency fee i.e. Discharging Commission		Agency fee when called in for Bunkers booked on Ballast, Stores/water only	Commn. on mn. on gra-in ship-ments	Di-rect-ing a Trg-vel Agen-cy	Book-upto 10 tons & 30 tons	Commn. on T. Cargo.	Ab. 100 tons & 100 tons
		Part Loads	Full Loads						
Adelaide	M/s. George Wills & Co. Ltd.	A£ 20	A£ 35	A£ 70	A£ 5	1%	5%	7 1/4% (Incl. A £1 2 1/2)	3/3
Melbourne	M/s. John Sanderson & Co.	A£ 47/10	A£ 60	A£ 60	A£ 5	1%	5%	2 1/4% Agency Commission)	4/4 2/2 3/3
Sydney	M/s. Gilchrist, Watt & Sanderson Pty. Co.	A£ 47/10	A£ 60	A£ 60	A£ 5	1%	5%	2 1/4% Agency Commission)	4/4 2/2 3/3
Fremantle	M/s. George Wills & Co. Ltd.	A£ 47/10	A£ 60	A£ 60	A£ 5	1%	5%	2 1/4% Agency Commission)	4/4 2/2 3/3
Brisbane	M/s. Gilchrist Watt & Sanderson Pty. Ltd.	A£ 47/10	A£ 60	A£ 60	A£ 5	1%	5%	2 1/4% Agency Commission)	4/4 2/2 3/3

The reason for the Agency terms being uniform for all agents is due to the fact that there exists a Syndicate comprising these Agents with whom only all the agency terms are supposed to be negotiated.

APPENDIX XI

(Vide Foot note to para 123)

Messrs. Scindia Steamships (London) Ltd., are undertaking the following work for the Corporation :—

1. Making payments on behalf of the Corporation for Marine, War Risks and Club Insurances.
2. Making arrangements for supply and payments in respect of Fuel Oil.
3. Attending to staff family allotments etc.
4. Negotiating for chartering vessels on behalf of the Corporation.

Apart from above, they have to attend to any other matter referred to them by us and to represent us in London.

The following are the kinds of commission allowed to Scindia Steamships (London) Ltd :—

(i) *Representation Fees*.—Based on the following scale (on Corporation's own ships) when the Corporation's fleet consists of—
1 ship, the amount payable by way of representation fees is
£ 300 per annum.

2 ships	„	£ 600	„
3 „	„	£750	„
4 „	„	£900	„
5 „ & more	„	£1000	„

(ii) *Fleet Insurance* : (Marine and War Risk)

They are allowed to retain whatever commission they receive through the brokers through whom business is placed by them.

(iii) *Fittage* : They are allowed to retain the fittage, a sort of rebate given by the Fuel Oil Companies. The rate is Sh. 1/3d. per ton.

(iv) *Commission on charter hire*: Whenever any charter hire is payable through them, they are paid the commission which the Corporation would get, but in any case the same would not exceed 2½%

(v) *Booking cargo on charter terms*: When the cargo is booked on charter terms through the London Agents, they may participate in the division of the commission payable by the owners between the shippers, the brokers and themselves, as may be customary.

(vi) *Stores*: (a) If stores are purchased through the London Agents, the Agents charge 2½% on the net cost of stores.

(b) 1½% commission on spare parts purchased by them for Corporation's vessels.

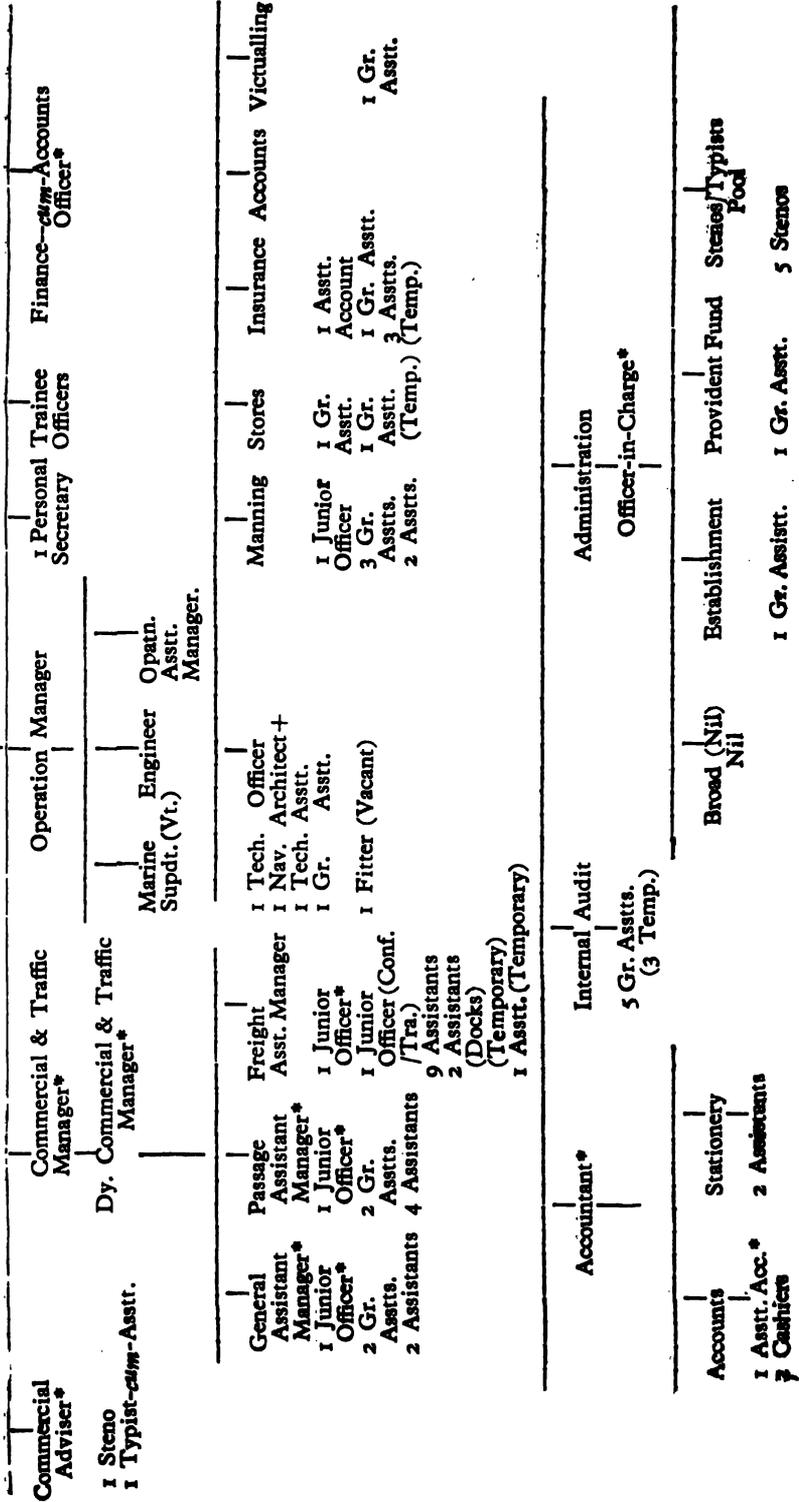
A statement of payments made to Scindias, London, in respect of the above for the previous 3 years is given below :—

	1955/56	1956/57	1957/58
	£	£	£
(1) Representation Fees	1,000·0·0	1,000·0·0	1,000·0·0
(2) Fittage	1,486·14·4	1,365·16·11	1,3454·4
(3) Commission on Charter Hire . . . . .	..	..	708·1·9
(4) Commission on Freight	479·0·0	1,607·5·5	..
(5) Commission on Stores & Spare Parts	196·3·1	156·0·5	310·5·8
TOTAL	3,161·17·5	4,129·2·9	3,372·11·9
Rs.	42,158·26	55,055·16	44,967·83

APPENDIX XII(a)

[Vide para 147]
Staff Chart of the Eastern Shipping Corporation.

MANAGING DIRECTOR



(b) Statement showing authorised complement of Floating Staff on Eastern Shipping Corporation vessels manned by them

Category	m. v. "State of Andhra"	t.s.s. "State of Bombay"	m. v. "State of Kutch"	t.s.s. "State of Madras"	m.v. "State of Orissa"	s.s. "State of Saurashtra"	s.s. "State of Travancore-Cochin"	s.s. "State of West Bengal"	s.t. "Desh Sewak"	m.v. "Nicobar"	m. v. "Andamans"
	2	3	4	5	6	7	8	9	10	11	12
(A) Deck Officers											
1. Master	1	1	1	1	1	1	1	1	1	1	1
2. Chief Officer	1	1	1	1	1	1	1	1	1	1	1
3. 2nd Officer	1	1	1	1	1	1	1	1	1	1	1
4. 3rd Officer	1	1	1	1	1	1	1	1	1	1	1
5. 4th Officer	..	1	..	1	..	..	..	..	..	..	..
6. Radio Officer 1st	1	1	1	1	1	1	1	1	1	1	1
7. Radio Officer 2nd	..	1	..	1	..	..	..	..	..	1	1
8. Medical Officer	..	1	..	1	..	..	..	..	..	1	1
9. Passenger Welfare Officer	..	1	..	1	..	..	..	..	..	..	..
10. Chief Purser-cum-Steward	..	1 (Ch.P.)	..	1 (Ch.ST)	..	..	..	..	..	..	1 (Ch. St.)
11. Purser	1	1	1	1	1	1	1	1	..	1	1
12. Apprentices	2	3	2	3	2	2	2	2	2	2	2
(Total Deck Officers)	8	14	8	14	8	8	8	8	7	10	11
										TOTAL	104

	1	2	3	4	5	6	7	8	9	10	11	12
(B) Petty Officers												
1. Immigration Clerks	3	..	..	..	..	..	..	..	..	..
2. Male Attendant	1	..	1	..	..	..	..	..	1	1
3. Female Attendant	1	..	..	..	..	..	..	1
4. Writer	1	..	..	..	..	..	..	..
(Total Petty Officers)	5	..	3	..	..	..	..	..	1	2
											TOTAL	11

(C) Engineer Officers												
1. Chief Engineer	1	1	1	1	1	1	1	1	1	1	1	1
2. 2nd Engineer	1	1	1	1	1	1	1	1	1	1	1	1
3. 3rd Engineer	1	1	1	1	1	1	1	1	1	1	1	1
4. 4th Engineer	1	1	1	1	1	1	1	1	1	1	1	1
5. 5th Engineer	2	3	3	2	2	2	2	2	1	1	1	1
6. Electrician	1	2	2	1	2	1	..	1	..	1	2	1
(Total Engineer Officers)	7	9	9	7	7	7	5	7	5	6	7	6
											TOTAL	75

(D) Deck Crew.												
1. Deck Serang	1	1	1	1	1	1	1	1	1	1	1	1
2. 1st Tindal	1	1	1	1	1	1	1	1	1	1	1	1

	1	2	3	4	5	6	7	8	9	10	11	12
6. Winchman	..	..	1	..	1	..	1	..	1	..	..	..
7. Oilmen	3	5	3	3	6	3	3	3	3	3	3	3
8. Firemen	3	3	6	4	6	4	3	4	3	3	4	4
9. Coal Trimmer	..	..	3	..	3	..	1	..	1	1	..	..
10. Engine Room Bhandary	1	1	1	1	1	1	1	1	1	1	1	1
11. Fitter/Asst/ Fitter	2	2	1	1	2	1	..	1	..	..	..	2
12. Wireman	1	1	..	1	..	1	..	1	..	..	..	1
13. I. Pumpman	..	..	..	..	..	..	..	..	..	1	..	..
14. II. Pumpman	..	..	..	..	..	..	..	..	..	1	..	..
(Total Engine Room Crew)	12	24	24	12	24	12	13	12	13	14	10	13
											Total	159
(F) Saloon Crew												
1. Butler (Incharge)	1	..	..	1	..	1	1	1	1	1	1	..
2. Butler (Not in-charge)	..	..	1	..	1	..	..	..	..	..	..	..
3. Chief Cook & Baker	1	..	..	1	..	1	1	1	1	1	..	..
4. Chief Cook	..	..	1	..	1	..	..	..	..	..	1	1
5. 2nd Cook	1	1	1	1	1	1	1	1	1	1	1	1
6. 3rd Cook	..	..	1	..	1	..	..	..	..	..	1	1

APPENDIX XIII

[Vide Para 157]

(a) *Salary Grades applicable to the various categories of Officers and staff of the Eastern Shipping Corporation Ltd.*

Managing Director	No. Scale—	Salary Rs. 3000/-.
Commercial Adviser	Rs. 1800—100—2000.	
Commercial & Traffic Manager	Rs. 1500—75—	
	1650—75—	
	1875—75—	
	2100.	
*Operations Manager	Rs. 1800—100—	} Proposed Scale Rs. 1800—100—2300.
	—2000—125	
	—2250.	
**Dy. Commercial & Traffic Manager.	Salary Rs. 1400/-.	(Scale not fixed yet).
Finance-cum-Accounts Officer	Rs. 1000—50—1300.	
*Superintending Engineer	Rs. 1100—50—1300.	(Proposed scale Rs. 1800—50—2000).
Marine Superintendent	Post vacant and scale not fixed.	
Accountant	Rs. 650—30—800—EB—40—1000—50—1250—50—1500	
Assistant Manager, Operations Dept.	No fixed scale.	
	Salary	Rs. 1100·00
	Less Pension	Rs. 514·15
		Rs. 585·85
Assistant Manager, Passage Dept.	Rs. 800—40—1000—50—1250—50—1500.	
Assistant Manager, General Dept.	Salary Rs. 650/—	(Scale not fixed yet).
Assistant Manager, Freight Dept.	Salary Rs. 650/—	(Scale not fixed yet).
Technical Officer, Operations Dept.	Rs. 650—30—800—EB—40—1000—50—1250—50—1500.	
Assistant Accountant	Rs. 400—25—500—30—650.	

*The present incumbents are on deputation from Government.

**The present incumbent is on deputation from Scindias.

Junior Officers	Rs. 320—20—340—(Probation)—400— 25—500—30—650.
Naval Architect	—do—
Trainee Officers	—do—
Personal Secretary to Managing Director	Rs. 250—20—450—25—500.
Technical Assistant	Rs. 235—15—280—20—300—20—380.
Chief Cashier	Rs. 100—7—142—8—150—10—220— EB—235—15—280—20—300—20— 380.
Assistant Cashier	Rs. 75—5—100—7—142—8—150—10— —180—EB—10—220.
Stenographers (Speed less than 125 words)	Rs. 90—5—100—142—8—150—10— 180.
Stenographers (Speed minimum 125 words)	Rs. 100—7—142—8—150—10—220.
Typists	Rs. 80—5—100—7—142—8—150— 10—180.
Telephone Operators	Rs. 75—5—100—7—142—8—150— 10—180.
Electrician-cum-Fitter	Rs. 70—5—100—(Post vacant at pre - sent).
<i>Assistants (Clerks)</i>	
Selection Grade	Rs. 235—15—280—20—300—EB— 20—380.
Graduates	Rs. 100—7—142—8—150—10—220.
Under-graduates	Rs. 85—5—100—7—142—8—150— 10—180.
Matrics	Rs. 75—5—100—7—142—8—150— 10—180.
Non-Matrics	Rs. 50—3—56—4—60—4—80—5— 100—7—135—GB—(Selection post) 135—7—142—8—150—10—180.
Chauffeurs	Rs. 60—4—92. (Selection post) 92—5—117. Three biennial increments after maxi- mum of the scale as per rules.
Peons, Hamals	Rs. 30—2—42—3—54 (Selection post) 54—4—70—5—90.
Watchmen	Rs. 40—2—42—3—54—4—66 (Selec- tion post) 66—4—86. Three biennial increments after maximum of the scale as per rules.

Statement showing pay scales

Air-India International		Indian Airlines Corpn.	
1		2	
OFFICERS	Rs.	OFFICERS	Rs.
<i>Administrative Department</i>			
Chief Adm. Officer	1800—100—2000	Asstt. A/cs. Officer	} (i) 250—15— 370 (ii) 320—15— 440 (iii) 400—15— 550
Personnel Manager	1200—100—1700	Asstt. Audit officer	
Sec. & Adm. Officer	1200—100—1700	Personnel Officer	
Personnel Officer	1000—100—1500		
Asstt. Personnel Officer	550—50—850	Adm. & Personnel Officer	} 550—25—750
Office Supt.	550—50—850	Accounts Officer	
Asstt. Office Supt.	350—25—600	Audit Officer	
Administrative Officer	450—50—750	Cost/Acs. Officer	
Establishment Officer	450—50—750	Statistics Officer	
Junior Officer	250—25—500	Senior Stores and Supplies Officer	
Chief Medical Officer	750—50—1100		
<i>Accounts Department</i>			
Financial Controller (formerly called as Controller of A/c.)	2000—100—2300	Senior A/cs. Officer	} 750—50—1050
Dy. Controller of Accounts	1200—100—2000	Senior Audit Officer	
Internal Audit Officer	750—50—1000—100—1200	Senior Admn. and Personnel Officer	
Accounts Officer	Do.	Asstt. Financial Comptroller	
Insurance Officer	450—50—750	Chief Audit Officer	} 1250—50—1550
Senior Accountant	350—25—600	Chief Statistics Officer	
Junior Accountant	250—25—500	„ Cost/Acs „	
		„ Accounts „	
		„ Admn. „	
<i>Operations Department</i>			
Technical Director (formerly called as Operations and Eng. Manager)	2000—100—2500	Secretary	} 1550—75—1850
Asstt. Operations Manager	1800—100—2000	Dy. Financial Comptroller	
Operations Officer	750—50—1000—100—1200	Chief Personnel Manager	
Administrative Officer	450—50—750		
Junior Officer	250—25—500		
<i>Engineering Department</i>			
Asstt. Eng. Manager	1800—100—2000	Financial Comptroller	} 2000—125—2250
Superintendents	1200—100—2000	Chief Traffic Manager	
Asstt. Superintendent	750—50—1100	Chief Operations and Training Manager	
Junior Officer	250—25—500	Eng. Manager	

in some of the Public Sector Undertakings.

Hindustan Shipyard (Pvt.) Ltd.		Eastern Shipping Corp. Ltd.	
3		4	
OFFICERS	Rs.	OFFICERS	Rs.
Asstt. Officers : Grade I & II	320—20—340 (Prob)—420— 400—25—500	Asstt. Officers (Junior)	320—20—340 (Prob.)—400 —25—500—30 650
Asstt. Managers Grade I & II	500—30—650— 30—800	Asstt. Officers (Senior)	650—20—800
Deputy Managers (I & II)	800—40—1000 —50—1500	Asstt. Managers	800—40—1000 —50—1500
Managers (I & II)	1500—75—1800 —75—2100	Dy. Managers (Junior)	1500—75—2100
		Dy. Managers (Senior)	2100—100— 2700
		Managers—Paid <i>ad hoc</i>	

1	2
Stores Department	Rs.
Controller of Stores and Purchase	1900—100—2200
Dy. Do.	1200—100—1700
Traffic Department	
Commercial Director (Formerly called as Traffic Manager)	1800—100—2300
Commercial Manager (sales)	1500—100—2000
„ „ Traffic	2000
Junior Officer	250—25—500
ASSISTANTS	ASSISTANTS
Chief Clerk Office Asstt.	165—15—225—20—345—25—370
Senior Clerk	130—10—150—15—225—20—325.
Junior Clerk	80—5—100—10—150—15—210
Typist	Do.
Typist/Clerk	Do.
Stenographer	130—10—150—15—225—20—365
Cashier	150—15—225—20—365.
Senior Telephone Operator	130—10—150—15—225—20—325
Junior „ „	80—5—100—10—150—15—210
Technical Assistant	165—15—225—20—345—25—370
P.S. to General Manager	350—25—500
P.S. to Controller of A/cs	250—25—500
P.S. to Traffic Manager	250—25—500
Peon	39—3—57—4—73
Driver	65—5—115
	Rs.
	Senior Deputy Traffic Manager
	1250—60—1550
	Traffic Manager
	1550—75—1
	Senior Traffic Manager
	1850—75—2000
	Junior Office Asstt.
	Junior A/cs. Asstt.
	Typist, Computist
	Telephone Operator
	Junior Cashier.
	Office Asstt.
	Accounts Asstt.
	Technical Asstt.
	Chief Tel. Operator
	Stenographer
	Cashier
	Office Supdt.
	Accounts Supdt.
	Confidential Steno
	Chief Cashier
	Peon
	Driver

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Rs.	R
ASSISTANTS	ASSISTANTS
Selection Grade 190—10—220— 15—280	Selection Grade 235—15—280— 20—300—G.B. 20—380
Graduates 85—6—103—7 —152—10— 182	Graduates 100—7—142—8 —150—10—220
Matrics/Undergraduates 60—5—85—6— 103—7—131 (Undergraduates to start on Rs. 70/-)	Matrics Undergraduates 75—5—100—7 142—8—150— —10—180 (Undergraduates to start on Rs. 85/-)
Non- Matrics 42—4—62—5— 92	Non-Matrics 50—3—56—4— 60—4—80—5 —100—7—135 G.B.
Typist 65—5—85—6— 103—7—131	Selection 135—7—142—8 —150—10— 180
Steno (125 words) 85—6—103—8 —152—10—182	Typist 80—5—100—7 —142—8—150 —10—180
Steno (less than 125 words) 75—5—85—6— 103—7—131	Steno (125 words) 100—7—142—8 —150—10— 220
Peon 20—2—30 (office boys) 30—2—50 50—3—65 (Selection post)	Steno (less than 125 words) 90—5—100—7 —142—8—150 —10—180
Driver 44—3—50—4— 75	Tel. Operator 75—5—100 —142—8—150 —10—180
Hamal Information not available.	Peons 30—2—42—3—54
Watchman Do.	Selection 54—4—70—5 80
Sweepers Do.	

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<p style="text-align: center;">Rs.</p> <p>Hamal 39-3-51-4- 63 (called helper)</p>	<p style="text-align: center;">Rs.</p> <p>Senior Driver 70-4-122</p>
<p>Watchman 39-3-54-4- 74</p>	<p>Hamal 50-2-80 (Por- ter). 60-3-90 (Head Porter)</p>
<p>Sweeper 39-3-54-4- 66</p>	<p>Watchman 40-2-80 Sweeper 50-2-80</p>

3	4	Rs.
Driver	. . .	60-4-92-5- 117 thereafter 3 biennial incre- ments.
Hamal	. . .	Same as peons grade.
Watchman	. . .	40-2-42-3- 51-3-54-4-66
Selection		66-4-86 thereafter 3 biennial in- crements.
Sweeper	. . .	Same as peon's grade

APPENDIX XIV

Statement showing the summary of conclusions/recommendations of the Estimates Committee relating to the Ministry of Transport and Communications Eastern and Western Shipping Corporations.

Serial No.	Ref. to the Para No. of the Report	Summary of conclusions/recommendations
1	2	3
1	6	The Committee have no doubt that with the economic development of the country and consequent expansion of commerce and trade the requirements of shipping would have gone up since 1947. They, therefore, recommend that the requirements of shipping may be reviewed in the light of the present trends and the objectives of the Shipping policy restated on a realistic basis.
2	7	The Committee are surprised at the wasteful procedure adopted for examination of the recommendations made by an expert committee (Port and Shipping Statistics Committee) with regard to the collection of statistics relating to Shipping Transport and the inordinate delay in taking decisions thereon. They, however, recommend that speedy steps be taken to collect and maintain the statistics which are vital for planning the development of Shipping Transport.
3	9	The Committee hope that the planners of the Third Five Year Plan will, considering the importance of shipping for the national economy and its present inadequacy, give development of shipping higher priority than hitherto and greater allocation of resources in order that the objectives of the Shipping Policy might be attained within a reasonable time.
4	13	The Committee feel that the policy of Government in relation to the Shipping Corporations is expressed in negative terms and lacks a positive approach. They, therefore, recommend that the policy of the Government with respect to the Shipping Corporations should be redefined in a positive manner.

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- 5 17 The delay in setting up the Shipping Corporations has been a major factor in retarding the development of shipping in the public sector.
- 6 20-21 (i) In addition to the remuneration paid to the Scindias as Managing Agents of the Corporation, they were also entitled to agency commission for services rendered at Calcutta. The Committee feel that the expenditure incurred on the agency of Scindias at Calcutta might have been avoided had the Head Quarters of the Eastern Shipping Corporation been located at that port. Thus, the amount spent on this account could well be regarded as an additional expenditure incurred on account of the Managing Agents, if not as additional remuneration paid to them.
- (ii) The Committee cannot but feel that the terms of appointment of the Scindias as the Managing Agents of the Eastern Shipping Corporation were not in the interest of Government.
- 7 22 Though the association of the Scindias with the Eastern Shipping Corporation has since been terminated, the Articles of Association have not so far been amended. For this reason, there are many dissimilarities between the Articles of the Eastern Shipping Corporation and Western Shipping Corporation with regard to the Board of Directors and certain other matters. The Committee recommend that early action might be taken to amend the Articles suitably.
- 8 24 The Committee are not quite convinced of the desirability or advisability of having two separate Corporations for operating the small fleet that they own at present. They, therefore, recommend that the feasibility of amalgamating the two Corporations be considered.
- 9 29 The Committee do not think that the Government standard of remuneration being not attractive enough to secure the services of suitable persons to man the Boards of Directors is an insuperable difficulty. Since the standards are fixed by the Government themselves the desirability of revising the same might also be looked into by them if considered necessary.
- 10 30 (i) The Committee do not consider it necessary to restrict the choice for manning the Boards merely to the same category of business which they are required to administer.

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- (ii) The decision of Government not to appoint non-officials on the Boards of Directors on the ground of their having no stake in the business is not convincing. For that matter, the officials appointed on the Boards also do not have any stake in the concerns which they are required to administer. The Committee therefore, feel that what is required is to secure the best talent and experience for the management of public enterprises in the interest of the nation as a whole.
- 11 31 The Committee feel that while official, would definitely be of use to Government undertakings, the present practice of making appointment of officers who are also entrusted with other departmental duties and are fully occupied with them, with a view to giving representation to Ministries or Departments concerned is not sound. The Committee therefore, recommend that the question be reviewed in a comprehensive manner and a suitable pattern of organisation devised for the management of Government commercial undertakings.
- 12 32—34 Doubts have been expressed about the propriety of the Director General's association with the Shipping Corporations. The Committee, therefore, strongly urge that the Director General should be dissociated with the Corporations.
- 13 36 The Committee were given to understand that the Corporations in the public sector were subject to certain restrictions which were not applicable to the companies in the private sector. The Committee feel that such restrictions are a handicap to public undertakings especially when they have to function under competitive conditions.
- 14 37 The Committee feel that, there are many misconceptions with regard to the nature of responsibility attaching to Government in relation to the public undertakings and the nature and extent of checks and controls that have to and can be exercised over them by Government. They, therefore, suggest that the whole question may be reviewed comprehensively and a sound and well defined relationship established between the companies and the Government.

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15	39	The major services of the Eastern Shipping Corporation start and terminate at Calcutta. There is only one service, namely, the Bombay/East Africa passenger-cum-cargo service, which is operated from Bombay. In the circumstances, the Committee fail to understand what advantage was obtained by locating the head office at Bombay.
16	40	The Committee believe that the Corporation might have been able to do without the agents at Calcutta had its head office been located at that port and thereby economised in expenditure on this score.
17	41	The Committee recommend that the question of the proper location of the headquarters of the Corporation might be reviewed with particular reference to the future pattern of its operations.
18	42	The Committee fail to see why, when the branch office has been set up at Calcutta, the agency functions of the Scindias have also not been transferred to that office and whether maintenance of an establishment for the limited function of looking after the survey and repairs, which are in any case contracted out, would be justified. They, therefore, recommend that the agency functions at Calcutta may be entrusted to the Branch Office there, as early as possible.
19	44	The Committee are glad to observe that the Mombasa Office has registered a steady progress in securing business for the Corporation and that the ratio of expenditure (Management Expenses) to the amount of freight and passage earnings has been falling. They, recommend that the Corporation might endeavour to make further improvement in this respect.
20	45	The Committee recommend that the economics of having branch offices <i>vis-a-vis</i> the agencies at various ports may be worked out from time to time keeping in view the trend of trade earnings and expenses ; and if there are prospects of securing a larger amount of business, the desirability of setting up branch offices in those places may be considered.
21	49	The Committee do not see why Government should take over the entire responsibility with regard to the selection of routes for the Corporations. They believe that the responsibility of Government in regard to operation of routes by the Shipping Corporations should be limited to laying down a broad policy

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within which they should have discretion to select the best and the most profitable routes in accordance with commercial methods.

- 22 50 The Committee realise that the Corporations may have to operate on behalf of Government certain routes for reasons other than economical or with the object of promoting trade on those routes. They, therefore, recommend that such cases, should be declared as essential routes so that if they happen to be uneconomical the Corporations might, if necessary, be subsidised and the working of the Corporations on those routes evaluated in that light.
- 23 51 The Committee feel that even though the routes selected for the Eastern Shipping Corporation are stated to be good, yet the route and service pattern of the Corporations might have been better.
- 24 52 While the policy of avoiding competition with the private companies and filling the gaps may be a guiding factor, the Committee do not believe that it can be the sole criterion for selection of routes. In their opinion, the question of a Corporation entering a particular route should be determined by considering the nature and volume of trade carried on in that route and the share of trade that can be secured for Indian Shipping. The Committee, therefore, recommend that the Government and the Corporations should evolve a proper procedure for selection of routes in future.
- 25 53 The Committee recommend that the route pattern of the Government Shipping Corporations should be reviewed from time to time and if it is found that the route pattern is out of tune with the trade pattern or that by some alteration in the route pattern within the broad policy laid down by the Government, the result of the operations could be improved upon, such alterations should be made.
- 26 54 The Committee believe that the Government should allot to the Corporations only such routes as are considered essential leaving the other routes to be selected by the Corporations themselves and the question of paying indemnity should be limited to losses incurred on the essential routes allotted by Government. They, therefore, suggest that the terms of the Indemnity Agreement may be modified accordingly.
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- 27 55 The Committee do not appreciate why foreign ships should have preference over the Eastern Shipping Corporation in catering to the coastal trade in spite of the declared objective of cent per cent reservation of coastal trade for national shipping. They suggest that the matter be re-examined so as to enable the Eastern Shipping Corporation also to participate in the coastal trade, if necessary, after taking into account the likely pattern of coastal traffic in future.
- 28 58 The Committee recommend that the Ministries of Home Affairs and Transport & Communications might together review the working of the India/Andamans service and consider the possibility of transferring it to one of the Corporations and also explore the ways of improving its financial results. However, in order that this arrangement might not cause administrative inconvenience to the Ministry of Home Affairs, the right to issue directives to the Corporation with regard to the operation of this service might be reserved to that Ministry on the understanding that should the implementation of such directives result in a loss to the Corporation, the concerned route be declared as an 'essential route' or the losses reimbursed otherwise.
- 29 59 There are several islands in the Indian Ocean like the Laccadives, Minicoy, Amindivi etc. and a large number of people of Indian origin live there who are not in a position to maintain contacts with this country for want of proper means of communications. These islands also give rise to a substantial volume of trade which, for the same reason, is understood to be passing elsewhere. The Committee consider that, first of all, a survey of the traffic and trade potential of these islands should be made and recommend that, thereafter, the desirability of starting such a service and entrusting it to one of the Corporations should be considered. In case it entails any losses, the question of declaring these routes also as 'essential' might be considered.
- 30 61-62 The Committee feel that a policy of mutual exclusion of private companies and Government corporations from the routes operated by them would not be desirable at this early stage of shipping in the country. As such, they consider that in order that maximum traffic is secured for national shipping and that the available space is utilised to the maximum mutual advantage, there should be better co-ordination and co-operation among all the Indian shipping companies belonging to both the sectors.
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31	64	Considering that the Corporations were set up to quicken the pace of development of Shipping, the Committee regret to observe that the progress made by them in regard to the acquisition of tonnage has been comparatively poor.
32	66	The Committee regret to observe that though it is eight years since the formation of the Eastern Shipping Corporation, it is still far from reaching the target of 100,000 GRT.
33	68	The Committee understand that for want of adequate tonnage the Eastern Shipping Corporation has not been able to offer regular and sustained service on the routes operated by it. They also understand that for the same reason the Corporation has not been able to open new routes. They fear that judging from the facts as have been stated, the services of the Western Shipping Corporation, if and when they are taken up would be no better.
34	69	While the Committee agree that the resources required for acquiring all the tonnage for lifting the whole quantity of foodgrains would be too much to be attempted at any one time, they believe that with proper planning it might have been possible to acquire some tonnage out of the amount of freight paid for the import of foodgrains. As foodgrains are still being imported and such imports may continue for some more time, the Committee recommend that Government might attempt to acquire some ships for the carriage of foodgrains and to reduce the recurrent drain on foreign exchange on account of freight therefor as far as possible.
35	71	The Committee recommend that Government might consider the possibility of making some readjustment in the allocation of funds under the Second Plan and allot additional funds for acquisition of ships.
36	72	The Committee recommend that speedy decisions might be taken in regard to the acquisition of tonnage on self-financing basis so that the Corporations might be able to make purchases when the market is favourable.
37	73	The Committee recommend that in view of the fact that the responsibility for development of shipping has been placed mainly on the public sector, Government may reconsider their decision with regard to purchases on deferred payment basis by the Corporations. In this connection, the Committee suggest

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- that the possibility of diverting a portion of the funds allocated for payment of freight on imported food-grains for the initial payments for deferred payment purchases may also be considered.
- 38 74 The Committee suggest that having regard to the importance of the shipping industry, the feasibility of permitting the utilisation of a part of the foreign exchange earned by the Shipping Companies (private and public) for the acquisition of tonnage in future, through the Shipping Development Fund, might be considered.
- 39 75 The Committee hope that the Corporations will take quick steps to acquire more ships with the aid of the loan funds which have been or may be allotted to them.
- 40 76 The Committee recommend that in building up their fleet with second-hand ships, the Corporations should keep in view the operational factors and the competitive aspects of the shipping business and acquire only modern and efficient ships.
- 41 79 The Committee recommend that the possibility of acquiring some ships on charter basis to be placed on the India, Poland service may be reconsidered in order, firstly, to fulfil the obligations under the agreement with Poland, and, secondly, to secure the traffic on the route pending acquisition of its own vessels by the Western shipping Corporation.
- 42 80 The Committee commend the suggestions that in building their fleet the Corporations should aim at maintaining a balance among various kinds of vessels.
- 43 83 (i) The Committee are surprised to note that it should have become necessary to replace the 'State of Bombay' only after four years of its purchase and ten years of its being built when the normal life of a ship is stated to be between 20 to 25 years. They fear that these ships were not properly examined before they were purchased.
- (ii) As the replacement of the 'State of Bombay' in the immediate future is likely to cause a capital loss of a large magnitude, the Committee recommend that an enquiry might be made into the matter with a view to investigating how the ships were purchased, and, if there were any negligence or irregularities in it, to fixing responsibility therefor.
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44	85	The Committee recommend that in building up their fleet of ships and tankers, the Corporations should keep in touch with the latest trends in respect of ship-building in the advanced maritime countries.
45	87	The Committee suggest that the examination of final payments with reference to the operation of the escalation clause should be entrusted to qualified Cost Accountants and that, as far as possible, the services of the Cost Accounts Branch of the Ministry of Finance be utilised for this purpose.
46	89	The Committee do not appreciate why the cost of supervision of three ships in India should be higher than the cost of supervision of four ships in Europe. They, therefore, recommend that for orders to be placed for construction of ships in future, the possibility of making a more economical arrangement for their supervision be considered. The Committee also suggest that with a view to reducing dependence on foreign firms in this regard a larger number of technicians trained in the Hindustan Shipyard or at the Indian Institute of Technology, Kharagpur, might be sent abroad for advanced training and acquiring more experience.
47	90	The Committee were informed that the Corporations could not depute their engineers for supervision of ships being built for them in Europe on account of the difficulty of foreign exchange. While the Committee appreciate the consideration given by the Corporations to the foreign exchange difficulties of the Government, they feel that as large investment is involved in the ships which are under construction, it might have been advisable to spare some foreign exchange for deputing a few engineers to be associated with the different stages of construction of these ships, in order, firstly, to ensure that the ships are constructed according to the specifications of the Corporations and, secondly, to provide an opportunity to the engineers to secure the knowhow of the building of ships.
48	91	The Committee suggest that the feasibility of acquiring more ships from Yugoslavia on rupee payment basis might be reconsidered, after trying for sometime the vessel for which orders have already been placed.
49	93	The Committee regret that even after a period of seven years of working and despite the comments of the Estimates Committee contained in their Fourteenth

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Report (First Lok Sabha) it has not yet been possible for the Hindustan Shipyard to accept normal conditions of contract and to adhere to the stipulated dates of delivery.

- 50 94 (i) The Committee suggest that the feasibility of deputation of young technicians from the Hindustan Shipyard to Japan to learn the know-how of the Japanese technique of shipbuilding might be considered.
- (ii) They would further suggest that while placing orders on foreign yards for building ships, it should be ensured that Indian technicians are associated with every phase of ship-building so that they might learn the techniques employed by those yards as well.
- (iii) The possibility of such deputations to the yards on which orders have already been placed might also be considered.
- 51 95 The Committee consider that the progress made in the acquisition of tankers is very slow. Further with the prospects of finding sufficient quantities of oil in the country, there would be need for more tankers for the transport of crude and refined oil. In this connection they refer to the recommendation made by them in para 168 of their 65th Report (First Lok Sabha) for acquiring more tankers and urge that the same might be implemented expeditiously.
- 52 97 While the Committee appreciate the safeguards provided by the Corporation to minimise the incidence of brokerage, they are not convinced if it was necessary to appoint the brokers. In the circumstances, the Committee suggest that the necessity of continuing the services of the brokers might be examined. If, however, it is considered necessary to continue the agency of brokers, the Committee suggest that the possibility of encouraging Indian brokers to develop their activities in the field may be explored.
- 53 99 The Committee fail to understand what special advantage is secured by the Eastern Shipping Corporation in restricting its operations to the liner services.
- 54 101 (i) The Committee consider it to be somewhat paradoxical that while Government has entered international trade on a large scale and has become a major importer and exporter, its own Shipping Corporation should be faced with dearth of cargo.

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(ii) The Committee consider it advisable for the Eastern Shipping Corporation also to take to tramp business.

- 55 103 The Committee are surprised that although the State Trading Corporation and the Eastern Shipping Corporation are both Government undertakings, there was no coordination between the two Corporations with the result that while negotiating the agreement with Japan the State Trading Corporation overlooked the interests of the Eastern Shipping Corporation. The Committee, therefore, suggest that in future effective steps should be taken to ensure better coordination amongst the various State undertakings.
- 56 105 The Committee strongly urge that the machinery of the Shipping Coordination Committee might be made a more effective instrument for securing coordination among different shipping interests.
- 57 107 The Committee feel that development of shipping is as vital as the promotion of trade and it is necessary to have a coordinated policy for development of both. They, therefore, suggest that the policy of Government with regard to the rates to be allowed to the Indian companies for carriage of Government cargo might be reconsidered.
- 58 110 While the Committee appreciate that the problem of development of shipping is fraught with many difficulties, they at the same time, feel that unless determined efforts are made to overcome them, Indian shipping cannot make much headway. The Committee, therefore, feel that it should be possible to issue a directive on the lines as contemplated earlier at least in respect of certain categories of contracts, if not all, in the first instance. They, hope that serious attention would be given to this matter without further loss of time.
- 59 113 The Committee feel that the practice of building tankers in accordance with the specifications etc. given by oil companies in effect would amount to chartering the tankers to those companies only in perpetuity and would leave little scope for obtaining competitive charter rates for the owners.

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60	114	The Committee feel that in order at least to know what would be the reasonable rate for chartering a vessel the Corporation should operate a vessel directly and acquire knowledge with regard to the cost and profit that may be secured in the trade.
61	115	The Committee recommend that the terms of the contract with the brokers in respect of the share of the charter hire of s.t. 'Desh Sewak' may be re-examined.
62	117	The Committee recommend that the Western Shipping Corporation might try to operate one or more of the tankers to be acquired in future on a tramp or on a scheduled service instead of chartering out them all to the oil companies.
63	118	The Committee suggest that the Corporation might examine the economics of overseas trade <i>vis-a-vis</i> the coastal trade and consider placing one or more of the tankers which it proposes to acquire in future on the overseas trade.
64	119	The Committee observe that the agreement with the British India Steam Navigation Co. is not favourable to the Eastern Shipping Corporation. They, therefore, recommend that the possibility of having them revised so that the Corporation may have equal rights with that Company might be examined.
65	120	The Committee feel that the terms on which s.s. 'Jalagopal' was chartered were unduly liberal and the net gain to the Corporation on account of the service of the vessel has been very insignificant.
66	121	The Committee suggest that the reasons for the loss incurred on account of the operation of the chartered vessel 'Culross' might be investigated and the possibility of placing more economically chartered vessels on the India Japan route in order to secure maximum traffic for the Corporation pending replacement thereof by owned vessels might also be considered.
67	122	The Committee suggest that the service rendered by the agents at various ports and the terms allowed to them may be reviewed in the light <i>inter alia</i> of the business procured by them in the past.

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68	123	<p>(i) The Committee had suggested in para 173 of their 62nd Report (First Lok Sabha) that the Eastern and Western Shipping Corporations should become members of the Charter Committee of the Baltic Exchange so that the interests of Government might be safeguarded in getting vessels as cheaply as possible and also in order to earn a part of the one per cent commission which the Charter Committee would be distributing among its members. The Committee hope that it would no longer be necessary for the Corporation to use the services of the London Agents for chartering the ships.</p> <p>(ii) The Corporation has appointed the Scindias as its agents in London. As the Corporations do not operate any service on the Indo/U.K. route, the Committee consider it desirable that the necessity of maintaining agency in London might be reviewed.</p>
69	124	<p>The Committee hope that instructions would have been issued that as far as possible Government Departments should utilise the services of the Shipping Corporations for carriage of their stores, so that the Corporations might not have to pay agency commission for securing those cargoes.</p>
70	125	<p>The Committee are of the opinion that for making purchases in London the services of the Government Organisation, namely, the D.G., I.S.D., London, should be utilised instead of engaging private agents for the purpose.</p>
71	126	<p>The Committee consider that it is a false economy to save the foreign exchange involved in deputing an officer to visit foreign ports as such visits are likely to improve the earnings of the Corporation and this might help earning a larger volume of foreign exchange. They, therefore, feel that in all such matters the Corporations would do well to follow the best traditions of commercial practice.</p>
72	127	<p>It was suggested to the Committee that the officials of the Corporation should develop personal contacts with the users of their vessels, such as, shippers and passengers. The Committee commend this suggestion for consideration of the Corporation.</p>

In this connection, the Committee also suggest that the Corporations would do well to maintain liaison with the All India Transport Users' Conference which is

doing valuable work in co-ordinating the needs of the transport users with the facilities provided by the transport undertakings.

- 73 129 The Committee suggest that the reasons for the heavy expenditure incurred by the Corporation on repairs might be investigated with reference to repair charges incurred by other companies.
- 74 130 The Committee hope that suitable steps would be taken to improve repair facilities in the country on the basis of the recommendations of the Ships Repairs Committee appointed by Government.
- 75 132 The Committee suggest that as the tonnage operated by the two Corporations would be increasing gradually, the possibility of the Corporation owning a workshop for repairs of the vessels may be considered. A workshop of that nature may besides conducting repairs of vessels also undertake the construction of small crafts for coastal trade.
- 76 136 The Committee suggest that the Corporation might explore the possibilities of improving its earnings and reducing its expenses in order that the net profits may be higher and that a portion thereof might be contributed to the revenues of Government.
- 77 137 The Committee suggest that the Corporation may work out the most efficient rate of turn-over by comparison with the rates of turn-over of other companies in India and abroad, determine the defect, if any in its investment or organisation and take suitable steps to rectify it.
- 78 139 The Committee recommend that a shipping expert might be appointed to examine the working of the Eastern Shipping Corporation and to advise on the changes required to improve its results.
- 79 140 The Committee are concerned to observe the periodic rise in the operational expenses of the Corporation. They suggest that the Corporation might with advantage ascertain the percentages of different items of cost to earnings of other shipping companies, compare them with its own and take steps to make improvement in its cost structure where necessary.

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80	141	The Committee consider it necessary that the Corporation should introduce the system of reviewing their operational costs and be constantly on the look-out for effecting economies in expenditure.
81	142	<p>(i) The Committee suggest that the Corporation might consider the desirability of setting up a Cost Accounting Unit to work out the estimates and cost of each voyage and to indicate the points where economics or other improvements would be possible.</p> <p>(ii) The Unit might work out a practicable operational co-efficient to judge the working of each vessel.</p>
82	143	The Committee consider it desirable that in view of the fact that many of the State undertakings are not yielding profits and might not also be in a position to yield profits due to some of them assuming a social service character, there should be a separate organisation to evaluate the working of such undertakings independently of profit consideration. They also suggest that the organisation to be set up in respect of such undertakings should not be of an <i>ad hoc</i> nature but should be able to undertake examination of each undertaking periodically.
83	144	The Committee consider that in the normal course the cost of replacement of fixed assets should be raised within the business and therefore feel that the rate of depreciation provided by the Corporation is not adequate for the purpose. They suggest that the Corporation might review the practice in that respect.
84	145-46	The Committee consider it unbusiness-like that the Corporations raise their share capital as and when required and do not prepare budgets of their revenue and capital expenditure. In this connection, they refer to the recommendation made in para 25 of their 20th Report (2nd Lok Sabha) and suggest that similar action might be taken by the Corporations.
85	149	The Committee do not consider that there is adequate justification for the existence of the Commercial Adviser's Secretariat. They, therefore, recommend that the necessity of maintaining the Secretariat may be reviewed.

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86	150	The Committee do not see any adequate justification for the existence of the post of an Operations Manager to coordinate between the Marine Superintendent and the Engineering Superintendent and recommend that the desirability of abolishing this post might be considered.
87	151	The Committee are not happy that even in a commercial undertaking there should be an elaborate hierarchical system of organisation. They, therefore, suggest that the organisational set-up of the Corporation might be reviewed and reorientated on a scientific and rational basis.
88	153	The Committee suggest that the strength of staff aboard the various vessels may be reviewed and where possible uniformity introduced; and, unnecessary staff, if any, be eliminated.
89	155	The Committee are not happy over the existence of diverse conditions of service in an establishment as they do not consider that such a state of affairs is conducive to harmony amongst the staff members. Further, they deprecate the inordinate delay that has occurred on the part of the Corporation in framing its own conditions of service for its employees and recommend that the Corporation might finalise them expeditiously, regard being had to the introduction of uniformity amongst all sections of staff.
90	158	The Committee suggest that the scales of pay sanctioned for various posts may be reviewed and rationalised in the light of the duties and responsibilities attaching thereto.
91	160	The Committee do not see any valid justification for officers discharging similar duties in different public undertakings being governed by different scales of pay. They, therefore, suggest that Government might review the scales of pay, obtaining in all its undertakings and revise them with the object of introducing uniformity where possible.
92	162	(i) The Committee refer to the recommendation contained in their Thirty-Ninth Report (First Lok Sabha) regarding the creation of a separate Public Service Commission for all the undertakings in the public sector. They feel that with the implementation

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		of the said recommendation the allegations about undue influence being brought to be borne on the selection of officers etc. could be avoided.
		(ii) Meanwhile they welcome the constitution of the Industrial Management Pool which is intended to provide the senior executive personnel for all the State undertakings and suggest that the pool may be enlarged if considered necessary, in order that as many supervisory personnel as may be required by the undertakings are drawn therefrom.
93	163	The Committee feel that there should be no objection to extending the principle underlying the provision of the Indian Companies Act for getting the prior sanction of the Company in cases of appointment of relatives of a director to other cases as mentioned in this para and suggest that prior to the appointment of such a person the matter should be brought to the notice of the Ministry concerned and its consent obtained. The Committee further suggest that appointments of such persons should also be mentioned in the Annual Report of the Corporation for the year when the appointment is made.
94	165	The Committee fail to understand the distinction made between the floating staff and the shore staff with regard to the payment of allowances in lieu of bonus. They are also not happy over the discrimination that is being made between the employees appointed on or prior to 15-8-56 and those recruited after that date. They, therefore, consider it desirable that the Corporation should take steps to evolve a uniform practice in this respect.
95	166	(i) The Committee are pained to observe that no serious effort has been made in regard to the implementation of the recommendation contained in para 90 of their 62nd Report (First Lok Sabha) even after the expiry of two years since it was made. (ii) They would suggest that both the Eastern and Western Shipping Corporations might take steps to estimate their requirements of technical personnel and make a phased programme for their training in appropriate institutions in order to ensure that they are available to man the vessels which are likely to be added to their fleet in the near future.
96	167	The Committee recommend that some persons may be deputed to the shipyards abroad, for being associated in the construction of ships which are being built there for the Corporations.

APPENDIX XV

Analysis of Recommendations contained in the Report and the estimated economy likely to result from their implementation.

I. ANALYSIS

A. Recommendations for improving the Organisation :

S. Nos. 7, 8, 9, 10, 11, 12, 14, 15, 17, 18, 50, 55, 56, 72, 81, 82, 86, 87, 89, 90, 91, 92, 93, 94, 95 and 96.

B. Recommendations regarding Business and Operational Matters :

S. Nos. 13, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 36, 37, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 51, 52, 53, 54, 57, 59, 60, 61, 62, 63, 64, 66, 67, 71, 73, 75 and 84.

C. Recommendations for effecting economy or for increasing the earnings :

S. Nos. 16, 19, 20, 68, 69, 70, 76, 77, 78, 79, 80, 85 and 88

D. Miscellaneous :

S. Nos. 1, 2, 3, 4, 5, 6, 35, 38, 49, 58, 65, 74 and 83.

II

It is not possible to calculate the monetary value of the economies which might be effected as a result of implementation of the recommendations classified under Section C above.

APPENDIX XVI

(Vide Foot-note to para 55)

(a) EXTRACTS FROM ENCLOSURES RECEIVED WITH MINISTRY OF TRANSPORT AND COMMUNICATIONS D.O. No. 31-ML(5)/59 DATED THE 26TH MARCH, 1959 (RECEIVED ON 30TH MARCH, 1959).

We have examined the figures in Statements No. 223 and 224 of the Statistical Abstract of India, 1955-56 and find that the participation of foreign tonnage in our coastal trade, as revealed by these figures, is partly real and partly fictitious. So far as the actual extent of such participation is concerned, it may be stated that, besides the employment of foreign ships on charter with Indian shipping companies in the coastal trade, the operation of foreign tankers by the Oil Refineries in carrying their refined products to the coastal destinations was, to a great extent, responsible for the large volume of foreign shipping "entering" and "clearing" in the coastal trade. A statement showing the tonnage of cargoes lifted in the coastal trade by the Indian ships and by the non-Indian ships, as compiled in this office for the last four years, is enclosed. It will be seen for example, that during 1955, out of the total movement of 33,59,155 tons of cargoes in the coastal trade, 911,569 tons (i.e. about 27%) were lifted by foreign ships. The share in coastal trade of such ships on the basis of the shipping statistics incorporated in statement No. 223 works out, on the other hand, to as much as 60%.

It may be stated that the coastal shipping statistics as published at present do not give a true picture of the movement of coastal shipping, due to the defective method followed in their compilation. You would be interested to know that the introductory "Explanatory Note" appearing under "Shipping" in the "Accounts relating to coasting trade and Navigation of India" for 1955-56, published by the D.G.C.I. and S. Calcutta, from which the statements Nos. 223 and 224 of the Statistical Abstract, India, 1955-56 have been reproduced, provides in respect of vessels engaged in foreign trade, that "if on their inward voyage (they) enter a port in India to discharge only a part of their cargoes and then proceed to other ports in India, their clearances and entries after arrival at the first port are recorded in the coasting trade *whether they ship 'coasting cargo' or not*, for the foreign voyage is deemed to have ended on arrival at the port where part of the cargo is first discharged". Similar procedure is followed for classifying the vessels in their outward voyages. The effect of these arrangements is that the particulars of the foreign vessels visiting India are included in the coasting trade figures, notwithstanding the fact that the vessels do not load or discharge any coastal cargo. This defect in the compilation of the "Coasting Trade and Navigation of India" was already brought to notice by the Port and Shipping Statistics Committee, 1954. In this connection, a reference is invited to paragraphs 116 and 117 of their Report in which they have pointed out that due to the defective procedure followed by the Customs Authorities, the Statistics regarding the entry and clearance of the Shipping tonnage in the coastal trade "give an exaggerated picture of the tonnage and vessels serve the coastal trades of India."

(b) STATEMENT

Shipment of dry cargoes, oil and petroleum by Indian and foreign vessels on the Coast of India

(All figures in D.W. Tons)

Year	Indian tonnage			Foreign tonnage			Total shipment
	Dry cargo vessels	Tankers	Total	Dry cargo vessels on charter with Indian Shipping Companies	Tankers	Total	
1954	23,91,799	..	23,91,779	4,90,854	..	4,90,854	28,82,633
1955	24,47,586	..	24,47,586	1,07,594	8,03,975	9,11,569	33,59,155
1956	23,51,507	80,543	24,32,050	1,63,306	10,77,989	12,41,295	36,73,345
1957	23,79,834	1,94,467	25,74,301	74,298	11,60,363	12,34,661	38,08,962