

# ESTIMATES COMMITTEE

1956-57

## SIXTY-FIFTH REPORT

MINISTRY OF TRANSPORT

SHIPPING

PART-II



LOK SABHA SECRETARIAT  
NEW DELHI  
*March, 1957.*

C O R R I G E N D A

Sixty-fifth Report of the Estimates Committee on  
the Ministry of Transport - Shipping Part II.

Page(ii), V, Item F, read 'Wet cargo'  
for 'West cargo'.

Page 24, Para 77, line 8, after the words 'Japanese  
Government', insert the words 'through  
the Development'.

Page 44, Para 144, line 26, read 'second-hand  
market', for 'Second-hand market'.

Page 47, Para 2, line 10, read 'important recommen-  
dations', for 'importantre commendations'

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## MEMBERS OF THE ESTIMATES COMMITTEE—1956-57

1. Shri Balvantray Gopaljee Mehta—*Chairman.*
2. Shri B. S. Murthy.
3. Shrimati B. Khongmen.
4. Shri Nageshwar Prasad Sinha.
5. Shri B. L. Chandak.
6. Shri Amarnath Vidyalankar\*
7. Shri Venkatesh Narayan Tivary.
8. Shri Satis Chandra Samanta.
9. Shri Raghavendarao Srinivasrao Diwan.
10. Shri M. R. Krishna.
11. Shri Jethalal Harikrishna Joshi.
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13. Shri P. Subba Rao.
14. Shri P. N. Rajabhoj.
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18. Shri C. R. Narasimhan.
19. Shri Raghbir Sahai.
20. Pandit Algu Rai Shastri.\*\*\*
21. Shri Abdus Sattar.
22. Shri Lakshman Singh Charak.
23. Shri N. Rachiah.
24. Shri Radheshyam Ramkumar Morarka.
25. Shri Mangalagiri Nanadas.
26. Shri T. B. Vittal Rao.
27. Shri Y. Gadilingana Gowd.
28. Shri Jaswantraj Mehta.
29. Shri A. E. T. Barrow.
30. Shri Choithram Partabrai Gidwani.

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\*Resigned with effect from the 20th November, 1956.

\*\*Died on the 6th October, 1956.

\*\*\*Ceased to be a member upon his election to Rajya Sabha on the 13th December, 1956.

**SECRETARIAT**

**Shri S. L. Shakdher—*Joint Secretary.***

**Shri H. N. Trivedi—*Deputy Secretary.***

**Shri R. P. Kaushik—*Under Secretary.***

## INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Sixty-fifth Report on the Ministry of Transport on the subject "Shipping—Part II".

2. The Committee wish to express their thanks to the Secretary and other Officers of the Ministry of Transport for placing before them the material and information that they wanted in connection with the examination of the estimates. They also wish to express their thanks to the representatives of the Scindia Steam Navigation Co. Ltd., Bombay, Messrs. P. C. Ray & Co. (India) Private Ltd., Calcutta and Sarvashri M. A. Master and C. A. Buch for giving their evidence and making valuable suggestions to the Committee.

BALVANTRAY G. MEHTA,

NEW DELHI;

*The 28th March, 1957.*

*Chairman,*

*Estimates Committee.*

## I. INTRODUCTORY

### A. Ancient Period

That peninsular India was maritime in its traditions, is borne out by several historical records. Navigation was an established science to which the people of the land were accustomed to, long before the Christian era dawned in the West. Tracing the history of maritime activities on the oceans of the World, a British Admiral has written:

"Speculation has naturally often been rife among authorities on history as to which of the many seas of the globe first carried a floating construction devised by a human brain, and not a few writers have decided in favour of the Mediterranean. But some very weighty considerations seem to point rather forcibly to a different conclusion, which would place the origin of both branches of the mariner's occupation—coasting and deep water sailing—on the surface of the third greatest of the sea areas, namely, the Indian Ocean."\*

2. From the Rig Veda and some old Pali and Tamil works as also from the finds of Egyptian and Assyrian archaeologists and the writings of the Greek authors, Herodotus and Ctesias, it is indicated that the maritime activities of India extended to distant seas from the earliest epochs of Indian history. Manu, in his great Code, has referred to shipping and port dues; while Kautilya's Arthashastra describes the functions of the various port officers. Evidence is also forthcoming in Chinese annals like the 'Kwai Yuen' Catalogue of the Chinese Tripitaka and the Yule's Cathay and the Way Thither about the maritime commercial activities between India and China. Travels of Fa-Hien, Hiuen Tsang and I. Tsing, provide very accurate evidence in that regard. The fact that Buddhism held its sway all over the East during the seventh century bears testimony to the advanced maritime activities of this country. Evidence is also forthcoming from various Indian scriptures, paintings and coins. The sculptures of Borobudur (Java), depicting the colonization of Java by Indians in the year 75 A.D., are worth special mention.

3. The ships used by the Hindu navigators at that time, have been described by Mr. J. Hornell in his book, "Towards Angkor", (p. 26.) as "square rigged, two masted vessels, with raked stem and stern, both sharp, without bowsprit and rudder and steered by two quarter paddles." Some of our old texts describe not only the construction of ships, but also give a broad classification of the chief types of vessels used for inland navigation and ocean voyages, both for cargo and passenger ships.

\*Ballard, Adm. G. A. "Rulers of the Indian Ocean".

4. In this age of radio-active sea-pollution, it would be interesting to quote a warning uttered in a Sanskrit manuscript, "Yuktikalparu", discovered by Dr. Radhakumud Mukerjee, ".... care should be taken that no iron is used in holding or joining together the planks of bottoms intended to be sea-going vessels, for the iron will inevitably expose them to the influence of magnetic rocks in the sea or bring them within a magnetic field and so lead them to risks." Although, it has not been possible to establish the context in which the above direction might have been issued some centuries back, it is more significant to-day than ever before.

5. The science of ship building had reached an advanced stage in the beginning of the fifteenth century and the commercial maritime activity of India had spread to the shores of Persia, Africa, Madagascar and to the farthest reaches of Malaysia and the Eastern Archipelago. A description\* given by Nicolo Conti, testifies to this fact, ".... the natives of India build some ships longer than ours, capable of containing 2,000 butts and with five sails and as many masts. The lower part is constructed with triple planks in order to withstand the force of the tempests, to which they are much exposed. But, some ships are so built in compartments that should one part be shattered, the other portion remaining entire may accomplish the voyage."

6. Calicut was one of the greatest shipbuilding centres in India and its ship builders were well known. Orders were received in the Calicut yard to build ships even from foreign countries.

7. With the rise of Mughal Empire, the Mughal emperors had maintained the development of shipping and inland navigation as a specialised branch of their administration. In Akbar's reign, a separate admiralty was created and assigned with specific functions of supplying ships and boats, supervising construction of big ships, supplying trained personnel of various grades, which ran into 12 main categories\*\*, superintendence of boats, ships and their operation, imposition, collection and remission of port duties. During the entire Mughal period, up to the advent of British Rule in India, the country maintained unabated progress in its maritime activities.

### B. British Period

8. Indian interests were preponderent in the Indian Ocean till the advent of European powers in India. India was considered to

\*"India in the Fifteenth Century", Kakliy Society's publications II.

\*\* 1. Nakhoda (commander of the vessel),  
 2. Maullim (the mate),  
 3. Tundeil (chief of sailors)  
 4. Nakhoda-Khesheb (in charge of loading and unloading operations)  
 5. Sirheng (in charge of docking and launching operations)  
 6. Bhandaree (in charge of ship's store)  
 7. Keranee (in charge of ship's accounts)  
 8. Subangeer (helmsman)  
 9. Punjeree (observer)  
 10. Goomtee (sailors in charge of throwing water out of the ship).  
 11. Gunners  
 12. Kherwah (seaman)

be a prize-country by the Portuguese, French and the British commercial adventurists, who first came in the guise of merchants and subsequently became the masters of the land. The following words of Francisco Almeida, the first European Viceroy of the Indies, who wrote to his Sovereign, Manoel I illustrate his strategy and plans in the eastern waters, "Let it be known to Your Majesty that if you are strong in ships, the commerce of the Indies is yours; and if you are not strong in ships, little will avail you any fortress on land."

9. This had remained, throughout, the policy of the successor British power which ruled this country for nearly 150 years. The commerce of India and other colonies was the lifeblood of the British Isles during its reign and all its strategy revolved round that axiom. Admiral Ballard, formerly Director of the Operations Division of the Admiralty War Staff in United Kingdom, while pleading for 'some supplementary measures in the Indian Ocean', writes in his book, "Rulers of the Indian Ocean", (p. 311) ".....certain highly important branches of the commerce which is its (British Empire) absolute lifeblood will travel under the permanent risk of a blow that would paralyse them past any reasonable hope of recovery; a matter directly affecting the subsistence of millions of men, women and children in the United Kingdom, whose daily bread is earned in export industry."

10. This was the *sine qua non* of the British trade policy. Thus, gradually, the British trade and industries led to the elimination of Indian shipping from foreign waters and the consequent wiping out of her ship building industry. In a few decades, even the coasting trade was captured by enterprising foreign companies as a result of which, Indian shipping industry was left with a few tiny ships and old primitive craft as against the huge tonnage of non-Indian ships plying in Indian and foreign waters and enjoying almost a monopoly as carriers not only for the imports into India; but also for exports abroad.

11. According to Lloyd's Register for 1922-23, the total steam and motor tonnage of the United Kingdom, excluding vessels of less than 100 tons, was 19,088,638 tons gross, showing an increase of 44 per cent. over similar tonnage in 1900 and an increase of over 86 per cent. over the tonnage in 1890.

12. As against this huge tonnage at the command of the British rulers, the Indian shipping industry hardly possessed 95,000 G.R.T. which mostly comprised of smaller vessels of 1000 tons and thereabout. The most important factor which militated against the growth of all Indian industries was the dictation of the financial policy of India by the Secretary of State from Whitehall. If the Indian Legislature had the control over that policy, Indian industries could have made considerable progress. Apart from that question, the monopoly of non-Indian companies virtually strangled any new Indian companies at their very birth and the complete apathy on the part of Government towards Indian efforts in that direction

was responsible for the unhappy state of affairs that prevailed in the first quarter of the twentieth century. As regards Indian Shipping Companies, the Reconstruction Policy sub-Committee (1945-47) observed in their report, "In the twenties and thirties all the Indian Companies which were of course newly started, faced such ruthless rate cutting and severe competition from the British India Company that even some of the financially sound and well managed companies had to close down".

13. It would be pertinent to quote a paragraph from the evidence of Shri Walchand Hirachand, representative of the Scindia Steam Navigation Co. Ltd., who appeared before the Mercantile Marine Committee, 1923.\* Describing the extent to which the foreign shipping companies went in crushing the Indian shipping industry, Shri Walchand Hirachand stated, "When Scindia went to the coastal trade, the prevailing rate from Rangoon was Rs. 18/- and then it came down to Rs. 10/- and again it was reduced to Rs. 6/-, the cost of the operation being reckoned at about Rs. 11 8/9. I am talking of the rice trade from Rangoon to Bombay. That means a loss of 200 per cent. This opposition was started when the Scindia Company entered this trade. No company could ever stand such rate cutting. This freight war went on for three years. The staying power of the Scindia was great and so it did carry on the trade foolishly or otherwise for three years spending a lot of money, but the other companies had to go out not after the boom but even in pre-war days. The foreign companies even went to the length of carrying passengers free and in the case of the Tuticorin Company, they not only carried the passengers free, but they also gave a hand-kerchief as a present to the passengers, and the company that plied from Madras to Rangoon gave gram for the deck passengers and servants free as a present."

14. Even in the field of training, there have been instances, when qualified and experienced officers were denied admission and told\*\* that there was no place for coloured people in the Royal Indian Marine.

#### C. Indian Mercantile Marine Committee, 1923-24.

15. The Government of India constituted a Committee in the year 1923-24, known as the Indian Mercantile Marine Committee. The terms of reference of the Committee were to consider what measures can usefully be taken,

- (1) for the liberal recruitment of Indians as Deck or Executive Officers and Engineers in the Royal Indian Marine;

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\*Minutes of the evidence recorded by the Indian Mercantile Marine Committee 1924. p. 154.

\*\*Evidence given by Capt. R. Parcou, before the Indian Mercantile Marine Committee P. 97 and 99 of the Minutes of the Evidence.

- (2) for the establishment of a Nautical College in Indian waters for the purpose of training Executive Officers and Engineers of ships;
- (3) for ensuring the entertainment of Indian apprentices for training as such officers and Engineers in the ships owned by shipping firms that enjoy any subsidy or other benefits from Government or any account and for the creation of an adequate number of state scholarships for providing instruction in the Nautical Colleges and Training Ships in England pending the formation of a Nautical College in India;
- (4) for the encouragement of ship building and of the growth of an Indian Mercantile Marine by a system of bounties, subsidies and such other measures as have been adopted in Japan;
- (5) for the acquisition of training ships by gift from the Imperial Government or otherwise; and
- (6) for the construction of the necessary dockyards and engineering workshops in one or more ports.

16. The Committee submitted its Report to the Government in the year 1924. The following were its main recommendations for the development of an Indian Mercantile Marine:—

- I. Reservation of coasting trade by a system of licenses, which should be issued on the following conditions:—
  1. To no foreign ship except in so far as protected by treaty rights.
  2. To any ship flying the British flag, provided that—
    - (a) it has been regularly engaged in the coasting trade during the preceding twelve months and is not more than 25 years old;
    - (b) the owner undertakes to take Indian apprentices and Indian Executive Engineer officers, on scales recommended in Chapter II;
    - (c) the licence shall continue only until the ship has reached the age of 25 years.
  3. Any ship hereafter seeking to enter the coasting trade shall comply with the following conditions—
    - (a) The ownership and controlling interest shall be predominantly Indian, *viz.*—
      - (i) registered in India;
      - (ii) owned and managed by an individual Indian, or by a company registered in India with rupee capital, with a majority of Indians on its Directorate and a majority of its shares held by Indians;

- (b) Same undertaking regarding Indian apprentices and officers as in condition (2) above.
- 4. The licensing authority to have discretion to waive all or any of the conditions during periods of stress and to issue permits to any ship flying the British flag.
- 5. The licensing authority to have power to take such steps, with the approval of the Government of India, as may be considered advisable to deal with deferred rebates, rate wars, or any other conditions which act unduly as restraint on trade.

II. Purchase by Government of one of the existing British lines operating on the coast, and eventual transfer by sale to approved Indian owners.

It is anticipated that purchase will be facilitated by the restrictions imposed on the coasting trade by the licensing system.

III. Bounties and other forms of state aid are not now recommended. But, bounties may be considered, subsequently, to purely Indian shipping companies engaged in overseas trade.

IV. Mail subsidies: As a general principle, the most economical tender, having regard to regularity and speed, should be accepted. But if the licensing system is not adopted, mail contracts in which the whole subsidy is paid by India, should include a stipulation to take Indian apprentices on the scale recommended for the licensing system.

V. Section 736 of the English Merchant Shipping Act, 1924: It is considered that the licensing proposals do not conflict with Section 736. But if the law officers of the Crown hold otherwise, then either the Act should be amended; or Indian owned and Indian managed ships should be assisted by—

- (i) bounties;
- (ii) mail contracts;
- (iii) carriage of government stores;

whether in the coasting or in overseas trade.

17. The Indian Mercantile Marine Committee Report gave rise to public demands for the development of national shipping and a number of non-official resolutions were brought before the Central Legislature. The most far reaching bill to reserve the coastal traffic of India to Indian vessels was introduced by Mr. S. N. Haji, the then member of the Legislative Assembly. The Bill was circulated for opinion and then referred to a sub-committee. On its emergence from the sub-committee, the Bill was re-circulated for public opinion; but by the time the opinions were received, Mr. Haji had resigned and the Bill lapsed later owing to the dissolution of the Assembly.

18. In the year 1930, a conference was convened by Government to enable a full and frank discussion between the representatives of all the interests concerned and with a view to contributing towards a solution for the adequate participation of Indian shipping in the coastal and overseas trade of India and securing, if possible, an agreed settlement. The Conference broke up without reaching at an agreement.\*

19. At the end of the Conference, the Government of India issued the following communique:@

"The Government of India will take into consideration at an early date the issues raised in the discussions which took place at the conference on the development of the Indian Mercantile Marine. As soon as it has been possible fully to consider these issues, the responsibility will rest with the Government of India of deciding what action should now be taken and whether any useful purpose would be served by inviting the interests concerned to meet again."

20. The breakdown of the Conference could mainly be attributed to the complete apathy of the Government in protecting the Indian shipping interests from relentless and powerful opposition of the foreign lines.

21. A tripartite agreement was signed in 1934 between the British India Steam Navigation Company, the Scindia Steam Navigation Company and the Asiatic Companies; but the British India Steam Navigation Company insisted as the price of a new agreement, the practical exclusion of the Scindia Steam Navigation Company from the carriage of India's overseas trade. The following are the main clauses of the Agreement:†

1. The cargo carried by the vessels of the three companies in the coasting trade of India, Burma and Ceylon is to be regulated and apportioned between them according to certain specified percentages.
2. The Scindia Company have been permitted to carry passengers on the Rangoon-Chittagong runs.
3. The total gross tonnage of the Scindia Company (owned or chartered) has been raised to 100,000 gross tons.
4. The rates of freight for the carriage of cargo and the scales of passenger fares are to be jointly fixed in writing by the parties after mutual consultation and consent, and

\*Report of the Reconstruction Policy Sub-Committee on Shipping p. 19.

● " " " " p. 19.

†Report of the Reconstruction Policy sub-Committee on Shipping p. 20.

- none of the parties is to quote or charge rates less than the rates thus fixed.
- 5. In the event of any dispute or difference the matter is to be decided by arbitration.

In a subsidiary letter addressed by the Scindia Company to the British India Company at the time of the conclusion of the Agreement, they have also agreed to respect the P. & O. Company's and the B.I. Company's foreign (overseas) trade and not to compete with them in those services."

22. The Tripartite Agreement was to be revised in 1939; but Government did not take any steps in that direction inspite of repeated requests from the Indian interests.

#### D. Post War Shipping Policy

23. A welcome change in the policy of the Government of India was brought about in 1945, with the publication of the Statement\* on "Post-war Shipping Policy" issued as part of the second report on Reconstruction and Planning:

"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 which at the outbreak of war stood at no more than 30 with a total of less than 150,000 tons gross. India's weakness in this respect has long been recognised, and the Government of India are pledged to a policy of assisting in the development of an Indian Mercantile Marine. So far, however, the action taken to implement this undertaking has been limited to the establishment of the "Dufferin" for the training of the Executive Officers, the provision of special facilities for the training of marine engineers and to using government's good offices to promote a settlement between the Indian and British companies operating on the coast with regard to the division of the available trade between them.

"The vulnerability of India's position has been revealed by the stress of war time conditions but by no circumstances more glaring than by her inability to find adequate shipping from her own resources to provide for the transport of the food supplies required by her. The rectification of this state of affairs should be one of the immediate post-war objectives, not only for commercial reasons but also because the development of the Royal Indian Navy necessarily implies the concurrent development of the merchant navy.

"The acquisition of an adequate share in the world's carrying trade should be the aim of our post-war shipping policy, and to this end steps should be taken to secure for Indian Shipping,—

- (i) an increased share of the coastal trade, including the trade with Ceylon and Burma (the present share is estimated at between 20-30 per cent.);
- (ii) a substantial share in the near trades; e.g. Persian Gulf East Africa, Malay and Dutch East Indies; and
- (iii) a fair share in the Eastern trades, especially, those trades of which Japanese shipping will have been dispossessed;
- (iv) a fair share also in the trade between India on the one hand and the U.K., the continent of Europe and North America on the other; and
- (v) in order to give maximum relief to the railways, a number of steps have been taken to ensure the fullest utilization of country craft and to prevent wasteful competition between country craft and steamers. As India may have to look to all forms of transport to sustain her economy in the post-war era, the continued development of country craft will have to be considered. Co-ordination of steamer and country craft services is an essential part of this development subject to due regard being paid to the different needs served by steamers and country craft."

#### **E. Reconstruction Policy Sub-Committee, 1945**

24. Ultimately, a sub-committee of the Reconstruction Policy Committee was appointed on the 10th November, 1945, to consider the departmental Statement on Post-war Shipping Policy and in the light of that Statement and all relevant considerations, to recommend,—

- "(1) what would be a suitable tonnage target for Indian Shipping, to be attained within a period of five to ten years;
- (2) what percentage shares of the maritime trade of India and other trades in which India is interested both coastal and overseas, cargo and passenger, should be secured for Indian shipping; and
- (3) what measures should be taken,
  - (a) to regulate the shipping industry with a view (i) to preventing the formation or establishment of combines or monopolies or excessively large units within the industry, and (ii) to ensuring that the number of shipping companies is no larger than economically adequate;

(b) to ensure a fair and equitable distribution, among existing companies and those yet to be established of trades which may hereafter be secured for Indian shipping.

The Sub-Committee will be competent to make such other recommendations as seem germane to the subject."

25. The Report of the Sub-Committee, presented on January 30, 1947, could be considered as a mile stone in the chequered history of Indian Shipping. It marks an auspicious beginning of its re-development. The summary of its main recommendations is reproduced in Appendix I to this report. That Committee defined the term "Indian Shipping" as "shipping owned, controlled and managed by the nationals of India" and recommended 100% reservation of coastal trade of India for Indian shipping, 75 per cent. of adjacent trade and 50 per cent. of the overseas trade. The Committee also set a target of 2 million gross tons of shipping to be acquired within a period of five to seven years. The Committee also recommended financial aid to Indian Shipping Companies, engaged in India's overseas trade. As regards the Shipping Organisation, the Committee advised the setting up of a Shipping Board, which would be "the spear point of policy locally and internationally" and having powers to license coastal vessels and to suggest proposals for the removal of all evils of monopolistic exploitation.

26. The decisions taken by Government on the Report of the Reconstruction Policy Sub-Committee on Shipping, as notified in the late Commerce Department Resolution No. 172. MI (25) /47, dated the 12th July 1947, are reproduced in Appendix II to this report. The Government of India endorsed the view of the Reconstruction Policy Sub-Committee that India should adopt a dynamic policy with regard to shipping. Government have also expressed their intention to assist Indian Shipping as far as possible in achieving the targets set by that Committee in the various trades, *viz.*, 100 per cent. purely on the coastal trade, 75 per cent on India's trade with Burma and Ceylon and geographically adjacent countries and 50 per cent. of India's distant trades.

27. It is rather unfortunate that the targets indicated by the Reconstruction Policy Sub-Committee, though accepted in principle, are yet far from realisation.

## II. DEVELOPMENT OF INDIAN SHIPPING

### A. Introduction

28. India had a glorious maritime past. She had a flourishing shipping and ship-building industry and once her ships ploughed the high seas carrying her trade and commerce to far off lands. Under foreign rule, however, Indian shipping received a grievous set back. It was only in the early part of this century that fresh efforts were made to build up a national mercantile marine and that too was not without the fierce competition from vested interests under the aegis of an alien Government. The Scindia Steam Navigation Co. Ltd., was started in 1919 and since then the Indian shipping has been struggling to survive and develop. Its history has been a sad story of ceaseless struggle and sacrifice on one side and a tragic tale of broken promises, unredeemed assurances and neglected opportunities on the other. It was only in 1929 that the Scindia Company was able to reach an agreement with the other participants in the coasting trade of India in securing a small share in the trade. Apart from Scindias there were also a few small Indian Companies operating on the West coast. Altogether the Indian owned tonnage at the out-break of the last war was only about 1,25,000 gross tons which was even less than 0.24 per cent. of the tonnage of the world. The war of 1939/45 did not materially alter the position on the Indian scene in that the Indian shipping companies in 1946 owned only 49 ships of 1,27,083 G. R. T. as against 20 million tons of cargo and 3 million passenger traffic. After the independence, the private enterprise made efforts to augment the meagre tonnage position in India, by meeting the capital expenditure from its own resources. Before the first Five Year Plan was launched the Indian Shipping Companies were able to make a net addition of 2,60,000 G. R. T., taking into account the tonnage sold, lost or scrapped. Thus at the beginning of the First Five Year Plan, India owned 97 ships of 3,90,707 G. R. T. as under:

Coastal vessels	Nos. 73	2,17,202 G. R. T.
Overseas vessels	Nos. 24	1,73,505 G. R. T.
Total	<u>Nos. 97</u>	<u>3,90,707 G. R. T.</u>

### B. First Five Year Plan

29. The First Five Year Plan fully appreciated the importance of shipping not only as an auxiliary force and a second line of defence in times of crisis, but also as a training ground for the navy,

besides being indispensable for the carriage of essential supplies from overseas. It was acknowledged that expansion of tonnage was necessary to implement the policy of coastal reservation and to ensure fuller participation in the overseas trade. The Indian Shipping Companies were also in need of financial assistance because of the condition of the investment market during the preceding three years of the First Five Year Plan and the fact that most of the Indian Shipping Companies were in their infancy and had not been able to build up any significant reserves. Taking into account all these factors, the First Five Year Plan on shipping was formulated and put into effect. The Plan aimed at increasing the total gross registered tonnage in the coastal and overseas trades to about 6,00,000 G.R.T. by the end of 1955-56.

30. At the beginning of the First Plan India had a tonnage of 3,90,707 G.R.T. The target under the First Plan was to add 2,15,000 G.R.T. after allowing for obsolescence to the extent of 60,000 G.R.T. thus increasing the total tonnage to over 6,00,000 G.R.T. The actual scrapping during the First Plan, however, amounted to 90,078 and there was a net addition of 98,957 G.R.T. during the First Plan period as shown below:—

Trade	Target for additional tonnage	Additional tonnage actually acquired before 31-3-1956	Additional tonnage in commission on 31-3-56 as compared with the position as on 1-4-51
1	2	3	4
Coastal trade (including adjacent trades)			
Overseas trades	1,65,000 GRT 1,10,000 "	1,31,920 GRT 57,115 "	41,842 GRT 57,115 "
TOTAL	2,75,000 "	1,89,035 "	98,957 "

31. The Committee note from the figures given above that during the First Five Year Plan period 1,89,035 G.R.T. were acquired against the target of 2,75,000 G.R.T. and 90,078 G.R.T. were scrapped thus adding only 98,957 G.R.T. to the existing tonnage of 3,90,707 at the beginning of the First Plan. The total tonnage, therefore, at the end of the First Plan period stood at 4,94,768 G.R.T. including one ship of 5104 G.R.T. which was built at Visakhapatnam during the pre-plan period but delivered in April, 1951 but excluding 4 ships of 35,221 G.R.T. under construction in Foreign Yards and 3 ships of 21,034 G.R.T. under construction at Visakhapatnam which were expected to be delivered after the First Plan period in 1956 or 1957. The tonnage actually acquired, therefore, during the First Plan period amounted to about 71 per cent. of the tonnage

acquired during the period from 1946 to 1950 and about 69 per cent. of the target to be acquired during the First Plan period. The additional tonnage acquired is made up of 45,000 G.R.T. built at Visakhapatnam, 33,495 G.R.T. built in foreign countries and 1,10,164 G.R.T. of second-hand ships purchased. The shortfall of 86,965 G.R.T. is attributed to several factors, the chief being the shortfall in production at Visakhapatnam which delivered 40,000 G.R.T. against the target of 1,00,000 G.R.T. during the First Plan period. The Committee will deal with the reasons for shortfall at Visakhapatnam in a subsequent chapter.

### C. Second Five Year Plan \*

32. In 1947, the Shipping Policy Committee had recommended a target of 2 million tons to be achieved in 5 to 7 years. In 1950, the Central Government accepted the policy of reservation of coastal trade for Indian tonnage and also assumed responsibility for training personnel for the merchant navy. The target of First Plan to increase the total tonnage to over 6,00,000 G.R.T. is expected to be achieved, though with some time lag.

33. In the Second Plan, it is proposed that about 3,00,000 G.R.T. should be added after allowing for the obsolescence of 90,000 G.R.T. Thus, by the end of the Second Plan the total tonnage is expected to be 9,00,000 G.R.T.

34. The broad objectives under the Plan are:

- (a) to cater fully for 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.

35. 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 percent. The tonnage position at the end of the Second Plan as per figures published will compare as under with that at the end of the First Plan:

	Before the 1st Plan	At the end of the 1st Plan	Gross Re- gistered ton- nage at the end of the 2nd Plan
Coastal and adjacent	.	2,17,202	3,12,202
Overseas	.	1,73,505	2,83,505
Tramp	.	..	60,000
Tankers	.	..	5,000
Salvage Tug	.	..	23,000
			1,000
<b>TOTAL</b>	..	<b>3,90,707</b>	<b>9,01,707</b>

\*"Second Five Year Plan" published by the Planning Commission.

***Finances for shipping in the Second Plan:***

36. In the First Plan a sum of Rs. 19.5 crores was provided for shipping; this was later increased to Rs. 26.3 crores. The actual expenditure over the Plan period is expected to be of the order of about Rs. 18 crores. A provision of Rs. 45 crores has been made for the development of shipping in the Second Plan, but since this includes a carry over of about Rs. 8 crores from the First Plan, only about Rs. 37 crores will be available for the expansion programme during the Second Plan period. In addition, Rs. 1.5 crores are provided in the Plan for the development of Andamans and Nicobar Islands for the purchase of one ship for operations between the Islands and the mainland and for three new launches for inter-island communications. For the expansion programmes of the Shipping Companies, Rs. 10 crores are expected to be provided by the Companies from their own resources.

37. Of the total amount allotted in the Plan, about Rs. 20 crores are for direct investment in the Eastern Shipping Corporation and a new Shipping Corporation which is proposed to be set up for operating shipping services in the Persian Gulf, Red Sea etc. From the balance of the provision, expansion programmes of private Shipping Companies will be assisted. It is at present, surmised that the amount allotted in the Plan will not be sufficient for achieving the full target of an additional 3 lakh tons during the Plan period. The additional amount required will depend, among other things, upon the trends in the world prices of tonnage, the extent to which second-hand tonnage is available from abroad and the funds which the private Shipping Companies can actually make available from their own resources.

***Aids to Shipping Industry in Second Plan:***

38. Some important issues connected with the shipping programme are at present under examination. The Central Government are examining the possibility of liberalising the terms on which financial assistance is granted to Shipping Companies. Liberalisation of terms has been sought by Companies in three directions, namely, reduction in rates of interest, extension of the period of repayment, and increase in the quantum of loans granted for the purchase of ships. The basis of subsidy given by Government in respect of ships built at the Hindustan Shipyard is also under review and the Government hope to evolve a suitable formula for the determination of prices to be charged in future for ships manufactured at Visakhapatnam. Indian Shipping Companies have also to be assisted in securing an adequate share of India's Overseas trade. Steps were taken during the First Plan period to encourage the use of Indian tonnage for cargo controlled by Government and further measures are being considered so as to evolve a co-ordinated policy applicable to all cargoes controlled by public as well as semi-public organisations. In respect of coastal traffic, which is reserved for

Indian tonnage, the question of closer co-ordination between railways and coastal shipping is at present being considered by an expert committee.

*Tonnage at the end of First Plan:*

39. Some doubts have been expressed about the accuracy of figures of tonnage available at the end of the First Plan period as published by the Planning Commission in the Second Five Year Plan. In this connection, attention may be drawn to the following observations of Shri M.A. Master in his article published in the May 1956 issue of "Transport" Bombay.

"As regards the tonnage that will be available at the end of the First Plan period, the Second Five Year Plan gives the following figures:

	G.R.T.
Coastal and Adjacent Trades	3,12,202
Overseas trades	2,83,505
Tanker	5,000
 Total: ..	6,00,707

"This figure has been arrived at by the Planning Commission, after taking into consideration the tonnage of the Steamers that are actually under construction at Visakhapatnam and in Japan and Germany for Indian Shipowners, but which are likely to be delivered in 1956 and 1957. We regret to say that the tonnage figures both for the coastal and the adjacent trades as well as the overseas trades are not in consonance with the official figures, which are available. As a matter of fact, the total tonnage owned by Indians on the 31st March, 1956 consisted of 120 steamers with an aggregate of 495,714 G.R.T. 17 ships were under construction—6 at Visakhapatnam, 10 in Germany and 1 in Japan. The tonnage of these 17 ships would come to 101,718 G.R.T. Taking, therefore, the tonnage under construction, but which would be delivered later, the tonnage on the 31st March, would come to 597,432 G.R.T. The tonnage employed in the coastal and adjacent trades would be 85 ships with a G.R.T. of 256,812. 17 ships of Scindia of 111,388 G.R.T., 11 of the India Steam of 80,715 G.R.T., 3 of the Bharat Line of 9,861 G.R.T., 6 of the Eastern Shipping Corporation of 42,297 G.R.T., and 2 of the Great Eastern of 14,393 G.R.T., were actually employed in the overseas trades of India at the end of the First Plan period. 3 ships of the India Steam, 7 of the Scindia, 1 of the Great Eastern, and 2 of the Eastern Shipping Corporation are being built at Visakhapatnam, Japan and Germany. Their aggregate tonnage comes to 81,966 G.R.T. They are all to be employed in the overseas trades. The tonnage employed in the overseas trades would, therefore, come to 52 ships with an aggregate G.R.T. of 3,40,620. These figures do not tally with the figures given by the Planning Commission. For

instance, while the tonnage employed on the coast is taken at 317,202 G.R.T. by the Planning Commission, the actual tonnage employed (even after taking into consideration the tonnage under construction which would be delivered later) is only 85 ships with an aggregate G.R.T. of 256,812. Thus here is a difference of a little over 60,000 G.R.T. As this is a matter of very great importance, the Planning Commission owes to the public to clarify what the position regarding the tonnage is both in regard to the coastal and the overseas trade."

40. The Committee suggest that the figures of tonnage given by Shri M. A. Master should be examined by the Ministry and the official figures corrected, if found necessary.

#### D. Adequacy of Targets in the Second Five Year Plan

41. The Planning Commission have fixed the target of 9 lakhs G.R.T. at the end of the Second Five Year Plan, against the following broad objectives:

- (a) to cater fully for 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 to the extent of about 12 to 15 per cent. of India's total overseas trade, which is 5 per cent. at present.
- (c) to secure an increasing share of India's adjacent trade for Indian ships to the extent of about 50 percent. of India's total adjacent trade, which is 40 per cent at present.

#### *Coastal Trade:*

42. Today, Indian ships are carrying about 3 million tons of dry cargo round the coasts by vessels, 1.5 million tons of dry cargo by sailing vessels and about one million tons of refined petroleum products in tankers. According to Shri M. A. Master, it is very likely that we may have to carry a further 3 to 3.5 million tons of cargo either as a result of industrialisation of the country or as a result of the recommendations of the Rail-cum-Sea Co-ordination Committee or for easing the strain on the carrying capacity of the Railways. Thus Indian Shipping may have to carry about 7.5 to 8.5 million tons of cargo round the coasts. At present, 2,75,000 G.R.T. of vessels are employed on the coasts, including the vessels under construction. At the end of the Second Plan, the coastal tonnage will be 4,12,200 G.R.T. at the most as proposed in the Second Plan. The Committee understand that about 5 million tons of dry cargo could be carried by 4,00,000 G.R.T., but if the quantity of cargo to be carried exceeded beyond the limit of 5 million tons, as it is likely to, it would create a gap and it will not be possible to carry 100 per cent. coastal trade.

*Overseas Trade:*

43. As regards the overseas trade, the present quantum of foreign trade is about 17.5 to 18 million tons. Out of this quantity, the Committee understand that roughly 2 million tons of cargo could be handled by the Plan target of 4,65,000 G.R.T. which works out to be 12.5 per cent. of the total overseas trade. In the course of next five years, the volume of traffic may increase and in that case the percentage might fall further.

*Adjacent Trade:*

44. As regards the adjacent trade, the Committee were informed that India was carrying about 35 per cent. of the adjacent trade at present, which might go upto 40 per cent. at the end of the Second Five Year Plan, if the quantum of trade were to remain stationery.

45. In the absence of authoritative estimates about the anticipated increase in cargo, both in coastal and overseas trade, at the end of the Second Five Year Plan, it is difficult for the Committee to express an opinion on the adequacy of the targets laid down in the Second Five Year Plan. From the evidence given by non-official witnesses, however, the Committee are inclined to believe that the objectives set forth in the Second Plan for 100 per cent. participation in the coastal trade, 12 to 15 per cent. in the overseas trade and 50 per cent. in the adjacent trade, at the end of the Plan, are not likely to be achieved even if the planned increase in the gross tonnage of Indian shipping materialises. The Committee suggest that the position may be carefully re-assessed and this apparent discrepancy in the volume of traffic to be carried and the shipping tonnage to be achieved at the end of the Second Plan should be reconciled. If the objective of 100 per cent. participation in the coastal trade, 50 per cent. in adjacent trade and 12 to 15 per cent. in the overseas trade is achieved by the end of the Second Plan, it will undoubtedly be a good performance.

**E. Acquisition of tonnage during the Second Five Year Plan**

46. The representative of the Ministry informed the Committee that for the Second Plan period the Ministry had requested the Planning Commission to make a provision of Rs. 70 crores for shipping, but the Planning Commission allowed only Rs. 37 crores plus Rs. 8 crores for the carry over from the First Plan, making in all Rs. 45 crores. The Planning Commission, however, stated that this was not the be-all and end-all and that if more money was needed they would consider it. The target for the Second Plan was to acquire additional tonnage of 3 lakhs tons; but the entire funds have already been utilised for the acquisition of 1.8 lakh G.R.T. in the first year of the Plan. Any further expansion during the Second Plan is therefore, out of question until more money is made available by the Planning Commission.

47. As regards the reasons for spending the entire funds so far earmarked in the first year itself of the Plan, the representative of the Ministry explained that if the acquisition of tonnage was spread over the entire plan period and vessels were bought every year, much less tonnage could have been acquired than what had been acquired by exhausting the entire funds in the first year of the Plan period because the price of new building was steadily going up. The representative of the Ministry added that the example followed by the public sector was followed in the private sector also and as many as five vessels were ordered in the private sector.

*Study of Foreign Markets:*

48. The Ministry of Transport deputed abroad Dr. Nagendra Singh, I.C.S., Director General of Shipping from September, 10 to November 5, 1956, for studying and negotiating on behalf of the Government of India, various matters connected with shipping. One of the items which he was asked to attend was the acquisition of shipping tonnage for the public sector comprising new dry cargo tonnage, second-hand dry cargo tonnage and a tanker. In his evidence before the Committee, the Director General of Shipping gave his assessment of the market conditions prevailing in the U.K. and the Continent. He stated that shipyards in the U.K. and on the Continent were getting booked up fairly rapidly and that on a conservative estimate, the delay of one month in the placing of orders would entail a minimum delay of six months in actual delivery. Reliable shipping brokers in London mentioned to the D.G. Shipping that if orders were placed straightway, then it might be possible to get some berths for delivery in 1959 and if any delay was entailed in placing orders, the 1959 deliveries would be lost and the next best available date for delivery would be 1960 or 1961. The U.K. Yards were reported to be booked up fully till 1961 and the earliest delivery there was either the second half of 1961 or 1962. Further, the U.K. Yards and several Continental Yards were unwilling to accept any penalty clause in regard to the date of delivery and all the leading Yards were not prepared to accept any order without unlimited escalation. The shipyards offered berths for acceptance or rejection within 24 hours or at the most 48 hours and they would not agree to extend the period easily.

49. As regards the comparative prices of new building and second-hand vessels, he stated that there were no prospects of a fall in new building prices as the costs of steel and labour were steadily rising. Moreover, if there was a fall in the price of material, the same would have been covered by the escalation scheme to which all 'new building' orders were subject. The same could not be said of second-hand tonnage, the price of which could fall when such purchase would be most opportune.

50. The Committee quite appreciate the decision of the Ministry of Transport in placing new building orders in the Continental

yards and purchasing a tanker, even to the extent of exhausting the entire amount provided by the Planning Commission in the Second Five Year Plan.

51. As far as the acquisition of second-hand tonnage is concerned, the Committee were informed that purchases had been postponed to a day when the prices would fall.

52. Looking to the upward trend in the present market, and the uncertainty of securing fixed time schedules of delivery, the Committee recommend that the Ministry should continue to take effective steps to secure the requisite funds from the Planning Commission without which it would not be possible to procure any tonnage even in the third plan and the industry will have to face the same situation which it is facing now.

#### F. Problem of foreign exchange

53. India's share in her overseas trade is hardly 5 per cent. at present and the remaining 95 per cent. is carried in foreign bottoms. One can visualise what a heavy drain it means on her financial resources and the foreign exchange position which is becoming acute every day.

54. So far as the information regarding foreign exchange earnings of Indian ships is concerned, the Ministry informed the Committee that the same was not available. The gross freight and passenger earnings of Indian ships in overseas trade have, however, been as under:—

Year	Freight	Passenger earnings	Total'
(Rs. in Crores)			
1950-51	7.01	0.28	7.29
1951-52	9.32	0.34	9.66
1952-53	9.43	0.17	9.60
1953-54	8.24	0.34	8.58
1954-55	9.94	0.56	10.50

55. The Committee could not obtain any statistical data relating to foreign exchange, which the country had to release on her overseas trade, as the information was not available with the Ministry of Transport. The Committee were informed that this information was not available even with the Reserve Bank of India.

56. Still, however, some idea regarding the heavy amounts of freight bills paid on import of foodgrains on government account could be had from the following table:

*Import of foodgrains on Government Account:*

Year	Quantity ooo' tons	Total amount of freight paid (Rs. in lakhs)	Indian Vessels		Foreign Vessels	
			Quantity ooo' tons	Freight Rs. in lakhs	Quantity ooo' tons	Freight Rs. in lakhs
1950	2,125	833.0	178.5	49.5	1946.5	783.5
1951	4,725	4,018.8	388.7	171.3	4,336.3	3,847.5
1952	3,864	3,788.0	328.6	159.0	3,535.4	3,629.0
1953	2,003	1,070.5	127.5	52.0	1,875.5	1,018.5
1954	830	252.4	329.3	97.3	500.7	155.1
1955	700	236.7	202.6	65.8	497.4	170.9
<b>TOTAL</b>	<b>14,247</b>	<b>10,199.4</b>	<b>1,555.2</b>	<b>594.9</b>	<b>12,691.8</b>	<b>9,604.5</b>

57. It will be seen that Government had to pay more than Rs. 96 crores as freight to foreign vessels for import of foodgrains on Government account during 1950 to 1955. This heavy drain on the country's limited resources of foreign exchange brings out the pressing need of increasing the tonnage of Indian Shipping at a more rapid pace.

*Cargoes imported under TCA Scheme:*

58. The Committee had asked for figures of the total quantity of cargo imported under the T.C.A. Scheme and the amount of freight paid thereon; but they were informed by the Ministry of Transport that required information was not available even with the Ministries concerned. Shipments of cargoes under T.C.A. Scheme are both on f.o.b. and c.i.f. basis. No information on f.o.b. shipments is available as the freight charges are paid by the indentors. In respect of c.i.f. shipments, the freight charges are initially paid by the U.S.A. Government and subsequently claims for refund of the same are received by the Government of India for reimbursement. So far, claims amounting to \$1,61,000 on account of freight charges paid for the transport of T.C.A. cargo shipped on Indian flag vessels have been received. In future, freight charges for the shipments made on Indian flag vessels will not be paid by the U.S.A. Government but by the consignees.

*Charter-hire Expenditure:*

59. Charter hire expenditure in respect of ships chartered by

Indian parties for coastal and overseas trades during the period 1951 to 1955 was as under:

Year	Coastal	Overseas
1951 . . . . .	4,22,550	22,83,519
1952 . . . . .	6,67,077	39,81,837
1953 . . . . .	6,00,332	13,28,790
1954 . . . . .	5,08,558	9,54,483
1955 . . . . .	2,11,598	6,11,521
	24,10,115	91,60,150

60. The above figures do not include expenditure on charters for import trade which is met from overseas purchase.

61. These figures also indicate the drain on the resources of foreign exchange due to inadequate tonnage of shipping. On most conservative estimates by experts on the subject, the annual freight paid to non-Indian shipping lines for the movement of goods and commodities to and from foreign countries is stated to be no less than Rs. 140 crores. The following observations of Shri C. H. Bhabha,\* in this connection, are worth quoting: "If only through a systematised and properly evolved policy, 20 per cent. of this total freight annually is laid by for investment in ships for the next few years, the day may not be far off when India could claim for the modest target of 2 million tons of shipping visualised and recommended by the Shipping Policy Committee, as far back as 1947".

62. According to Shri M. A. Master, "Shipping is the largest earner of foreign exchange. Within five years it will return the amount that we may have to spend for the acquisition of a ship. Thereafter, it will be contributing about 50 to 60 per cent. of its earnings towards the pool of foreign exchange resources. As the Government have been the largest single importer of goods in the country for the last few years, it will be agreed that favourable circumstances should be fully utilised for building up the navy of supply of our country. In 1951, Government imported about 89 lakhs D.W.T. and paid a freight of nearly Rs. 80 crores. In 1952, Government imported about 60 lakhs D.W.T. cargo and paid a freight of over Rs. 57 crores. With their large programme for the import of foodgrains, cement, steel, fertilizers, etc., and export of ores, the largest quantity of cargo to be imported and exported will be in the hands of Government. This favourable circumstance should be utilized to our best advantage for making a substantial addition to our tonnage."

#### *India's overall balance of payments:*

63. The necessity of building up our overseas tonnage has to be viewed from another aspect also. India's balance of payments posi-

\* "Finance For Expansion of Indian Shipping" published in "Transport Annual October, 1956".

tion is worsening every year due to large imports of industrial machinery and capital goods. The following table gives the figures\* for the years 1952-53 to 1956-57 (April to September, 1956) :

Year	Balance of $\uparrow$ pay- ment over transport- ation	Overall balance of payments	
	(Rs. in crores)	(Rs. in crores)	
1952-53 plus . . . .	12.4	plus	60.2
1954-55 " : : : .	24.3	"	6.0
1955-56 " : : : .	23.3	"	19.9
1956-57 " : : : . (April to September '56).	1.7	minus	125.9

64. India was essentially exporter of raw materials and importer of semi-manufactured consumer goods; but the trade pattern is changing gradually due to industrialisation of our country. As we go on exporting less of raw materials and more of semi-manufactured goods and importing more of heavy equipment the gap in our balance of payments is going to rise in a spiral. We have not only to step up our exports; but also devise ways and means of augmenting our foreign earnings.

65. It is in this context again that the Committee would recommend the need of assigning a higher priority to the development of the shipping industry as a resourceful potential instrument of earning foreign exchange.

#### G. Loan from International Sources and other external assistance

66. The Committee understand that negotiations were under way for securing suitable loan assistance from the World Bank. The Committee hope that the Government of India will succeed in securing at least the minimum amount of loan assistance required for the essential development of the shipping industry in India.

67. In case, the Government of India are unable to secure the necessary amount from the World Bank, the Committee would suggest negotiations with Exchange Banks in other maritime countries for raising long term loans.

68. The Committee also suggest that the feasibility of getting a few ships from the reserve fleet of the U.S.A. against a long term loan may also be investigated. The representatives of the Shipowners may also be consulted in the matter because of their specialised knowledge of the industry.

\*Reserve Bank of India Bulletin January, 1957.

†Transportation receipts cover estimated amounts for re-imbursments of freight\* paid in advance by exporters and disbursements of foreign ships in Indian Ports etc., and payments include operating expenses abroad of Indian Steamship Companies and some freight payments.

### III.—STATE AID TO INDIAN SHIPPING

#### A. Introduction

69. It would be interesting to compare the figures of Indian tonnage with that of war shattered countries of the world during the corresponding period of India's First Five Year Plan:

Country	Tonnage in July 1951	Tonnage in July 1955	Percentage increase
Italy*	29,17,000	39,11,000	34%
Germany*	10,30,000	26,53,000	157%
Japan*	21,82,000	37,35,000	71%
India	3,90,707	4,80,000	20%
World Tonnage*	8,70,000,000	10,00,000,000	14.9%

\*figures represent ships of 100 GRT and over; while those relating to India represent ships of 150 GRT and over.

70. The rise in production of Germany is spectacular. India has, however, kept pace with the rise in the world tonnage and her percentage increase in tonnage compares favourably with the world's percentage of increase. A statement showing the number of vessels and the tonnage employed on different lines as on 31st March 1956, is given in Appendix III.

#### B. State aid to shipping in foreign countries

##### (a) Italy

71. Three main Government measures have contributed to the reconstruction of the merchant fleet in Italy. Firstly, the law of March 1949 made possible the building of some 2,50,000 tons of shipping, particularly passenger ships for the reopening of the regular passenger lines. This law granted a State contribution of Lire 2,500 (about £1/5 sh. at that time) for every 100 kg. of Italian materials employed for shipbuilding as well as a bounty based on the speed of the ship and its cubic capacity upto a total not exceeding one third of the cost of the ship. Other facilities under this law included exemption from income-tax on profits derived from the ship for the first five years, duty free import of steel, timber and machinery required for the ship, exemption from the 3 per cent. turnover tax, exemption from requisition for the first five years, except in the case of war and state guarantee upto 40 per cent. of the loans granted for the building of the ship.

72. The second law of July, 1952, granted a state contribution of Lire, 39,750 (about £23) for every ton in the building of tankers as

well as the same exemption and facilities under the first law. This law facilitated the construction of about 3,50,000 tons of tankers.

73. Thirdly, the law of July, 1954 granted re-imbursement of duty paid on all the material imported for the building of the ship as well as a state contribution, tax exemption and state guarantee for loans to finance the building.

74. As a result of all these measures, the Italian tonnage which was less than 300,000 G.R.T. in 1945, stood at about 3·9 million G.R.T. in July, 1955.

**(b) Germany**

75. Germany had only about 70,000 G.R.T. at the end of the war in 1945. As against this, West Germany's tonnage stood at about 2·6 million gross tons in July, 1955. Much of the capital to rebuild the German mercantile marine has come from Government loans and loans from other industries. It has been reported that the amount of credit provided by the West German Government to German ship-owners upto 1954 amounted to more than 2,200 million marks, including E.R.P.\* allotments. Loans granted to shipowners bore interest at 4 per cent. and the amortisation periods extended upto 16 years, interest and amortisation payments being made only during profit years.

76. Loans from other industries were facilitated by an income tax regulation which allowed profits devoted to interest free loans to shipping industry to be free of tax.

**(c) Japan**

77. At the end of the last war; Japan was left with hardly 1·3 million G.R.T. of shipping. Her tonnage in July, 1955, stood at about 3·7 million G.R.T. The Japanese Government is reported to have granted subsidies to their shipping and shipbuilding industry in several forms all of which are not disclosed. During the post-war period, Japan undertook a series of shipbuilding programmes which were financed first by the U.S.A. Aid Yen Counterpart Fund and later on by the Japanese Government Bank of Japan. Government have also granted an interest subsidy on shipbuilding loans advanced by City Banks. It has been reported that of the 11 per cent. interest to be paid to City Banks for shipbuilding loans, 6 per cent. is being paid by the subsidy. It has also been reported that a subsidy on the price of shipbuilding steel is also being given to the shipbuilding industry. There are also reports of concealed subsidies being granted to Japanese shipping companies in order to enable them to carry Japanese exports and imports at low freight rates or to undercut the freight rates in overseas trades and that the grant of such subsidies is made possible by special arrangements between Japanese Export Associations, Banking, Insurance and Government agencies. According to latest reports,

Japan has beaten the production record set by U.K. and today, she is the largest producer of shipping tonnage in the world.

(d) *U.S.A.*

78. Before the first World War, the United States Mercantile Marine was even short of the minimum requirements for naval auxiliaries in the event of war. The first remedial action was the Shipping Act of 1916, establishing a United States Shipping Board for the purpose of creating and developing a naval auxiliary and naval reserve and a merchant marine, as well as regulating sea transport. The United States Shipping Board Emergency Fleet Corporation, with a capital of \$50 million was incorporated for the purchase, construction, equipment, charter etc. of merchant vessels in the commerce of United States. A new Merchant Marine Act, known as the Jones White Act of 1928 opened the way for further aid to American shipping operators. In March 1930, provision was made to increase the existing mail subsidy of \$650 thousand paid to the United States Lines to \$3.6 million. Some thirty-four mail contracts opened or concluded in 1928, brought the total yearly payments to private operators to \$21 million. The entire shipping policy was overhauled by the Roosevelt Administration and every endeavour was made in the Merchant Marine Act of 1936 to rationalise the mail subsidy system. The Act dissolved the Shipping Board Merchant Fleet Corporation and created the United States Maritime Commission, which was given wide powers in the matter of regulating the future of the American shipping industry.

(e) *U.K.*

79. The U.K. has the world's largest merchant navy in active employment, although the U.S.A. holds first place for the highest tonnage registered. The U.K. fleet carries an estimated 40 per cent. of the World's international sea-borne traffic (passengers and goods). The most notable development in the British shipping industry has been the grant of "investment allowance". This allows the ship-owners to write off an extra 20 per cent. of the value of their ships by way of depreciation, enabling them partially to meet the cost of replacement from within their own resources.

### C. State aid to Shipping in India

80. The usual terms and conditions on which loans are granted to Shipping Companies are as follows:

(i) *Overseas vessels*

(a) *Quantum of loan* not exceeding 85 per cent. to 95 per cent. in the case of vessels built new and not exceeding 75 per cent. in the case of second-hand purchases.

(b) *Rate of interest* 2½ per cent. per annum on condition that in the event of default, penal interest at 8 per cent. per annum should be paid by the Company.

(c) *Period of repayment*.—Not exceeding 12 to 15 years in the case of vessels constructed new and not exceeding 2/3 of the residual life of the ship (computed for income-tax purposes) in the case of second-hand ships.

(d) *Security to be offered*.—Adequate security acceptable to Government which will cover the loan amount outstanding plus 33-1/3 per cent. by mortgaging the loan vessel and such other assets as may be necessary.

#### (ii) *Coastal Vessels*

(a) *Quantum of Loan*.—Not exceeding 85 to 90 per cent. in the case of vessels built new and 66-2/3 per cent. to 75 per cent. in the case of second-hand purchases.

(b) *Rate of interest*.—4 to 4½ per cent. per annum on condition that in the event of default, penal interest at 8 per cent. per annum will be paid by the Company. 4 per cent. is charged only if the loan is repayable in 4 years.

(c) *Period of repayment*.—Not exceeding 12 to 15 years in the case of new construction and not exceeding 2/3 of the residual life (computed for income-tax purposes) in the case of the second-hand vessels.

(d) *Security*.—Adequate security acceptable to Government to cover loan amount plus 33-1/3 per cent. by mortgaging the loan vessel and such other assets as may be necessary.

81. The condition that the borrowing company should accept a Government Director on their Board was originally being imposed only in the case of small shipping companies. Subsequently, however, this condition has been made applicable in the case of all loans regardless of the status or standing of the shipping companies. In the case of small shipping companies, there are also two additional conditions, that they should implement any suggestion made by Government for the better management of the company and that the loan vessels should be made available for periodical inspection by Government surveyors in regard to their maintenance and upkeep. Other conditions which are usually imposed in the case of loans are that the companies concerned should keep the "loan vessels" always insured against all usual risks including war risks for an amount not less than 25 per cent. in excess of the sums owing to Government and that the insurance policies will be duly assigned in favour of the Government.

**(iii) Provision for Loans in the First Five Year Plan**

82. A provision of Rs. 19.44 crores was made in the First Five Year Plan for granting loans to shipping companies for acquiring 2,75,000 G.R.T. during the Plan period. The following table gives the break up of the above figures:

Coastal Trade	Amount Rs. in crores	Tonnage to be acquired G. R. T.
(a) Loans for the acquisition of second hand ships . . .	4.0	65,000
(b) Purchase of ships built in Visakhapatnam . . .	4.5	1,00,000*
<i>Overseas trades</i>		
(a) Loans for the acquisition of ships . . . .	6.5	70,000
(b) Investment in Eastern Shipping Corporation . . .	4.44	40,000
<b>TOTAL</b> . . . .	<b>19.44</b>	<b>2,75,000</b>

83. This provision was, however, raised, as indicated below during 1954-55 in the light of the expenditure incurred during the first three years of the Plan period and the likely expenditure to be incurred during the rest of the Plan period:

Coastal Trade	Amount in lakhs
(a) Loans for the acquisition of coastal ships . . . .	Rs. 482.38
(b) Loans for the acquisition of Vizag built ships . . . .	519.73

\*Includes 60,000 G. R. T. for the replacement of overaged tonnage.

Overseas Trades	Amount in lakhs
(a) Loans for the acquisition of ships . . . .	Rs. 856.0
(b) Investment in Eastern Shipping Corporation . . . .	458.0
<b>TOTAL</b> . . . .	<b>2,316.11</b>

84. During 1955-56, the position was again reviewed and having regard to the need for additional funds to finance the expansion programmes of the overseas shipping companies, the overall provision was increased to Rs. 26.3 crores.

**LOANS SANCTIONED DURING THE FIRST FIVE YEAR PLAN**

85. As against the above provision, loans amounting to Rs. 24,14,97,733 were sanctioned during the period ending 31st March, 1956; out of which Rs. 16,11,60,733 were drawn by the Indian shipping companies.

### COASTAL VESSELS

86. Loans amounting to Rs. 4,90,75,333 were sanctioned for acquiring 73,050 G.R.T. of shipping for coastal trade during the period ending 31st March, 1956. The amount was fully utilised and drawn by the Indian Shipping Companies (Appendix IV). Out of the above amount Rs. 1,48,87,000 have been repaid.

### OVERSEAS VESSELS

87. Loans aggregating to Rs. 19,24,22,400 were sanctioned during the period ending 31st March, 1956 for acquiring 1,34,252 G.R.T. but only Rs. 11,20,85,400 were drawn by the shipping companies. The balance of the loans sanctioned will be drawn during the Second Five Year Plan period. (Appendix V).

A sum of Rs. 51,00,000 was sanctioned as loans for acquiring additional tonnage in overseas trade after 1st April 1956 but the amount has remained unutilised.

(iv) *Capital cost borne by Shipping Companies against loans from Government.*

#### (a) NEW SHIPS

88. During the First Five Year Plan the Indian shipping companies placed orders abroad for acquiring 33,495 G.R.T. at a cost price of Rs. 603 lakhs. Out of this amount, Rs. 202.60 lakhs were met from the companies' resources. Orders were placed with Hindustan Shipyard Ltd., Visakhapatnam for 40,061 G.R.T. at a cost price of Rs. 492.39 lakhs. Out of this amount, Rs. 382.31 lakhs were met from the companies' resources (Appendix VI).

#### (b) SECOND-HAND SHIPS

89. 110,164 G.R.T. of second-hand ships were ordered at a total cost price of Rs. 946.66 lakhs. Out of this amount, the Indian Shipping Companies met Rs. 489.29 lakhs from their own resources (Appendix VII).

90. From the figures given above, the Committee observe that the Indian Shipping Companies have preferred to meet 33 per cent. of the total cost of new ships from abroad, 88 per cent. of the total cost of ships constructed by the Hindustan Shipyard Ltd., Visakhapatnam and 50 per cent. of the total cost of second-hand ships from their own resources.

### D. Liberalisation of loan terms

91. In a memorandum recently submitted to the Government, the Indian National Steamship Owners' Association proposed the following modifications in the rules governing the grant of loans to shipping companies:

(i) *Quantum of loan:* This should be increased to 95 per cent. in the case of new constructions and 90 per cent.

in the case of second-hand purchases in respect of both coastal and overseas vessels.

- (ii) *Rate of interest:* This should be reduced to 1 per cent. per annum in the case of vessels acquired for overseas trades and 2 per cent. per annum in the case of vessels acquired for coastal trade, no interest being charged in both the cases for the first five years commencing from the date of the loan.
- (iii) *Period of repayment:* This should be increased to 20 years in the case of new construction and to the full residual life of the ship (computed for income-tax purpose) in the case of second-hand ships.

92. Regarding the availability of funds, it was represented to the Committee that sometimes funds were not made available when they were actually required and the shipping companies had to miss the opportunity of buying ships when the market conditions were most favourable.

93. Indian Shipping Companies have, in the past, played a very significant role in maintaining the maritime traditions of the country, against heavy odds. In view of the expanding economy of the country, there is a heavy demand of shipping for carrying the export and import trade. Utilising foreign shipping for this purpose means a heavy drain on the foreign exchange resources. Taking into consideration these factors, rapid expansion of Indian shipping should be regarded as a national problem of great importance and urgency. As stated earlier, many foreign countries have taken special measures to assist the shipping industry. The Committee, therefore, recommend that the above mentioned suggestions of the Indian National Steamship Owners' Association should be considered sympathetically by Government and every encouragement given to the shipping industry.

94. One suggestion made in this connection was that instead of insisting on the repayment of loans to Steamer Companies, given in the First Plan, they may be permitted to utilise the amount due for repayment for buying more ships and continue to pay interest as before. The feasibility of this suggestion may be carefully examined.

95. The Committee further recommend that the feasibility of creating an Indian Shipping Development Fund with sufficient capital reserve should be carefully examined.

#### **E. Loans through Marketable Bonds**

96. The Committee would like to mention one suggestion\* made by Shri C. H. Bhabha in his article "Finance for expansion of Indian Shipping" regarding procurement of loans through marketable bonds.

\* "Finance for expansion of Indian Shipping"—C. H. Bhabha "Transport Annual," Oct. 1956.

He advocates that the loans given by Government should be funded in the form of marketable bonds or Debentures guaranteed by Government; and to ensure a proper response and success to such a scheme, the authorities should issue directions to such Indian Shipping Companies, who have taken loans, to invest a specified part of their depreciation amounts, year after year, in such bonds or debentures at the then ruling market price of these securities, ensuring thereby a setting-off or cancellation of their liabilities through such investments. The Committee would like the Government to examine the proposal.

#### F. Operational subsidies

97. The Committee understand that the Scindia Steam Navigation Company made a request to Government during the year 1949-50 for the grant of an operational subsidy to cover their losses in the India/U.K. passenger service. This service was being maintained by their vessels 'Jal Azad' and 'Jal Jawahar'. The Company pleaded that they were incurring a loss of about Rs. 8 lakhs per annum as these vessels had no control over the losses which were attributed, mainly, to the following reasons:

- (i) High capital cost of ships on account of which they had to make increased provision for depreciation.
- (ii) Low speed and high fuel consumption.
- (iii) Competition from other lines.

98. The Government were unable to accede to the request for a subsidy mainly for the following reasons:

- (a) There was no indication that the grant of a subsidy would make the service an economical proposition.
- (b) When once a subsidy was agreed to, there was no knowing how long it would have to be granted to make the service pay its way.

Subsequently, the Scindias approached Government for permission to sell the two vessels to the Eastern Shipping Corporation and as it appeared that there were prospects of the vessels operating profitably in the Corporation's trades and as Scindias had decided to discontinue the U.K. passenger service, the permission applied for was given. The vessels were acquired by the Corporation and they were being operated in the Madras-Singapore and Bombay-East Africa trades.

#### Present Policy

99. The Ministry informed the Committee that the Government's policy in the matter of granting operational subsidies to shipping companies at present was as under :

"It is contrary to the Government policy, generally, to grant any direct operational subsidy, especially, on a long term basis. They have, however, offered to grant loan facilities on liberal terms and conditions for the acquisition of suitable ships for operation in these trades; but the shipping companies have not been willing to enter

these trades on this offer, their reluctance being mainly on the ground that these were losing services, Government are at the same time anxious to maintain regular Indian Shipping Services in these trades, particularly, in the following two routes:

(i) Madras/Rangoon passenger service.

(ii) India/Persian Gulf services (both passenger and cargo).

"They have, therefore, decided to entrust such services to one of the Government sponsored shipping corporations inspite of the prospect of loss. The question of granting any direct subsidy to these Corporations does not arise as Government are committed to indemnify the Corporations against losses incurred by them in certain specified services during the first five years of their operation subject to re-imbursement out of subsequent profits. So far as the Madras/Rangoon passenger service is concerned the Eastern Shipping Corporation have accordingly placed an order for the construction of suitable passenger-cum-cargo vessel at the Hindustan Shipyard. Similarly, the India-Persian Gulf has been allotted to the Western Shipping Corporation in which Government hold the entire capital.

"With regard to the India/U. K. passenger service, the idea is that when funds permit, Government should acquire two or three suitable passenger vessels and entrust them to one of the corporations for operation. It was originally proposed that Government should acquire such passenger vessels during the Second Five Year Plan period; but, subsequently, on account of the limited finance available, this proposal has been dropped. The proposal may be raised during the third Five Year Plan."

100. The Committee feel that India is geographically situated in a Central position in Asia and is destined to play an important role in international affairs, especially in the East. Apart from strategic importance, her ships will be the symbols of friendship and cultural ties that exist amongst the sister nations of Asia. Her ships would be her roving ambassadors and become an effective instrument in strengthening India's external relations. It is, therefore, necessary to maintain running the passenger and passenger-cum-cargo services on routes, like India/Burma, India/Red Sea Ports and Persian Gulf, India/East Africa etc. even though these services may have to be run at some financial loss in the initial stages.

101. Regarding the present policy of the Government in the matter of granting operational subsidies, the Committee quote below an extract from the Industrial Policy Resolution No. 91/CF/48, dated the 30th April 1956 wherein in para. 11 it is stated :

"Industrial undertakings in the private sector have necessarily to fit into the frame work of the Social and Economic Policy of the State and will be subject to control and regulation in terms of the Industries (Development and Regulation) Act and other relevant

legislation. The Government of India, however, recognise that it would, in general be desirable to allow such undertakings to develop with as much freedom as possible, consistent with the targets and objectives of the national plan. When there exists in the same industry both privately and publicly owned units, it would continue to be the policy of the State to give fair and non-discriminatory treatment to both of them."

102. Keeping in view the above policy statement, and the pressing need of developing Indian Shipping, the Committee suggest that the question of giving operational subsidy to avoid closing down of certain essential services (as has happened in the case of India/U.K. passenger service) may be reconsidered. As the Government is indemnifying the shipping corporations in public sector against losses for a certain period subject to re-imbursement out of subsequent profits, similar facilities may be extended to the private sector also where found necessary, in the larger interest of Indian Shipping as a whole.

#### **G. Other Assistance**

103. The Committee were given to understand that the representations have been made to the Government by the Shipping Companies to afford relief in the following directions :

- (i) The application of the accelerated depreciation allowances should be made optional.
- (ii) Proceeds from sale of ships should be exempted from income-tax and Capital Gains Tax, if they are utilised for acquiring further tonnage.
- (iii) Profits ploughed back into the Shipping Industry should be exempted from Income-Tax.
- (iv) Ship's stores and Bunkers should be exempted from Customs duty and Sales Tax.

104. The Committee are not in a position to give an opinion on these specific items. They suggest that these representations may be examined sympathetically, keeping in view the assistance that is being given to the Shipping Industry by other countries.

105. As a matter of interest, the Committee enclose an Appendix VIII containing a brief financial review of Indian Shipping Companies. This indicates that the financial position of Indian Shipping Companies is not too satisfactory, and that they are striving hard to keep pace with the development of other Indian Industries. There cannot be two opinions that there is a very urgent need of rapidly expanding Indian Shipping, and that this is a field where both private and public sectors can play a useful role without necessarily coming into conflict with each other. Shipping is as yet only an infant industry so far as its future expansion is concerned. All reasonable facilities should, therefore, be given to this industry, at the present developmental stage.

## IV. SHIPBUILDING PROGRAMME IN INDIA

### A. Introduction

106. Shipbuilding was one of the flourishing industries in ancient India. The industry flourished for some time even under the East India Company in early part of the 19th century. In 1800, Lord Wellesley remarked :—\*

“From the quantity of private tonnage now at command in the Port of Calcutta, from the state of perfection which the art of shipbuilding has already attained in Bengal, promising still more rapid progress and supported by abundant and increasing supplies of timber, it is certain that this Port will always be able to furnish tonnage, to whatever extent it may be required, for conveying to the Port of London the trade of the private British merchants of Bengal”.

107. The state of perfection which shipbuilding had obtained in India was naturally resented by vested interests in England. The Reconstruction Policy sub-Committee on Shipping observed in their Report published in 1947 that it was not the advent of the steamship about the middle of 19th century, when iron and steel took the place of wood, which led, as was often alleged, to the decline of Indian shipbuilding industry. It was the acts of hostility of the British Government that led to its decline and ultimate ruin. Revitalisation of the ship building industry is, therefore, one of the important aspects of the all round development of the country in various spheres.

108. The Estimates Committee had examined the working of Visakhapatnam Shipbuilding yard in the year 1954-55 and so the Committee would not touch upon those points which had already been dealt with in their Fourteenth Report. The Committee would, therefore, restrict their scope of examination in that connection, only to the factual matters and the new points arising out of their review.

### B. Production during First Five Year Plan

109. As against the target of 1,00,000 GRT laid down in the first Five Year Plan, the Hindustan Shipyard at Visakhapatnam built eight ships of 39,924 GRT at a total cost of Rs. 677.01 lakhs (Appendix VI). One more ship of 4,584 GRT was completed at a cost

\*Report of the Re-construction Policy sub-Committee on shipping P-9.

of Rs. 115.20 lakhs during the period of the First Five Year Plan; but its delivery was effected in May, 1956. Taking this ship into consideration, the total output of the Hindustan Shipyard Ltd., could be placed around 45,000 GRT during the First Five Year Plan. The Committee have not taken into account S. S. Jalapalaka (5104 GRT), which was built during the pre-plan period; but delivered on 3rd April, 1951.

### C. Drop in output during 1954

110. It will be seen from the table below that during the year 1953, keels of four ships were laid; but only two ships could be launched in the year 1954.

Year	Keel laid (Figures represent No. of ships)	Launched	Delivered
1950	2	1	..
1951	3	2	2
1952	2	2	3
1953	4	2	..
1954	2	2	2
1955	2*	3	2
1956	1†	3	4

111. Attention of the Ministry of Production was drawn to the drop in the tonnage of ships launched during the year 1954 and they have explained the shortfall as under :

"The Shipyard was taken over by Government from 1st March, 1952 and as explained below there were many difficulties of transition. Because, the Scindia Shipyard with its lack of financial resources could only just carry on from day to day with the special assistance given by Government through the placing of certain limited orders it could not do the normal long-term planning. Further, there was another great change that the Shipyard under new owners and management took up the task of constructing modern fast diesel ships on modern techniques in place of the older type steam vessels that used to be constructed and thus to overtake a few decades of development.

"Till it was taken over, the Shipyard was building only one standard type of simple steamships. An order for three such ships which had been placed earlier by Government on the Shipyard was taken over by Government company when it took charge of the Shipyard in March, 1952. These ships, which were in different stages of construction were completed and delivered. The Scindia Shipyard when it was taken over had no other orders for ships except

\*to be launched and delivered in the Second Five Year Plan.  
†to be delivered in 1957.

that Government had also authorised the construction of two similar ships. Steel for these ships had not been ordered. Orders for the engines could only be placed so late in the Korean crisis that the engines were ultimately received very late. The keel of these ships was laid in July 1952. The ships could not be launched until August and November, 1953, because, firstly due to change in Lloyds' Rules, the Shipyard had to make new plans even though the ships were of the same specification as the ships previously constructed; secondly due to certain breakdowns in (Tatas) steel rolling mills, steel plates were not received in good time. These ships were delivered in July and August 1954 respectively. Part of delay in the construction of these ships was also due to the fact that engines which had been ordered as early as 1951, did not arrive in the Shipyard until January and April, 1954 respectively.

"The shipyard also received orders at this time for new Maier-form ships. These ships were of complex modern design with diesel machinery. The classification plans, the machinery plans and the piping plans of these new vessels had been arranged from abroad.

"The Shipyard Drawing Office, which had to prepare detailed working plans for these ships, had no previous experience of making such plans for a whole ship. This led to considerable delay which was accentuated further by the great difficulty in co-ordination between the suppliers of the classification plans, the machinery plans and the piping plans. Therefore, although by the end of 1953, keels had been laid for three ships of the new type, only one of the ships could be launched in 1954. As had already been stated, the amount of extra work involved in constructing the new type of ships could not be correctly estimated, to start with".

#### D. Reasons for shortfall in First Plan targets

112. Enumerating the reasons for the shortfall of 55,000 GRT in the Plan target, Ministry of Production stated that the exact amount of work involved in the new types of ships had been under-estimated. The new Maierlorm type of vessels the construction of which was undertaken by the Shipyard involve 50% more work than the old type of steamships built at the commencement of the Plan. The desired increased output required the addition of fully trained skilled labour which could be achieved only slowly and was still going on.

113. A factor which contributed to the under-estimation referred to above, is stated to be that under the previous management, the Shipyard had nothing in the way of a designing and drawing office, since the practice was for Messrs. Scindias to build the same type of ships according to working plans obtained from the United Kingdom. But now, with the help of a senior expert from the foreign consultants, a realistic time schedule for the delivery of ships has been drawn up and so far four ships have been delivered in accordance with it. The Ministry of Production now anticipate that instances of late delivery and shortfalls in production were not likely to occur in future.

### E. Second Five Year Plan

114. The estimated tonnage of the ships to be built at the Visakhapatnam Yard during the Second Five Year Plan has been fixed at 75 to 90 thousand GRT. Of this target, one ship, m.v. 'State of Kutch' of 5169 GRT was delivered on 25-11-1956. In 1957 three cargo vessels, a cargo-cum-passenger vessel and a mooring vessel for the Navy, of an aggregate of 20,000 GRT are scheduled for delivery.

115. The target of additional tonnage to be acquired in the Second Plan is three lakhs GRT. Replacement of obsolete tonnage is estimated at 90,000 GRT. Out of these 3,90,000 GRT, the production of Visakhapatnam would be only 75,000 to 90,000 GRT during the Second Plan.

116. The representative of the Ministry of Transport informed the Committee that the overall target of 6,00,000 GRT of the First Plan would be achieved only in middle of 1957 as ships of about 35,000 GRT. were under construction. The Ministry of Production have stated that the target of 75 to 90 thousand GRT. set for the second plan will include all ships delivered after May, 1956.

117. The following observations of Shri M. A. Master in this connection, in one of his recent articles are worth recording:

"According to the latest programme, it is understood that the Visakhapatnam Shipyard is expected to deliver the following tonnage during the first four years of the Second Plan period. Even the tonnage that is expected to be delivered will depend upon the Yard getting the steel and propelling machinery in right time. If there is delay in securing the steel required for construction, the delivery is likely to be further delayed.

#### *Tonnage expected to be delivered:*

1956-57	3 ships	16,184 GRT
1957-58	3 ships	14,768 GRT
1958-59	4 ships	14,700 GRT
1959-60	3 ships	19,000 GRT

"During the fifth year, the Yard has got only one order to complete for a ship of 6,333 GRT. It is, however, likely that it will get further orders. We may, therefore, take it that during the fifth year, it may construct and deliver ships of about 16,000 GRT. If, therefore, the Yard receives steel in time for which great apprehensions exist, at present, and if everything proceeds according to the schedule, the Yard may be fortunate to deliver during the course of five years of the Second Plan about 80,652 GRT of Shipping. Of this, 30,952 GRT will be of the ships under construction for completing the target of the First Plan. The tonnage which will be delivered against the requirements of the Second Plan, will only be 49,700 GRT. It

should not be forgotten that it takes at least 18 months for obtaining the engines and boilers for the ships to be constructed at Visakhapatnam after the orders for their construction are placed with the Yard. We cannot, therefore, take any more optimistic view than we are taking now. The maximum that the Yard can do for the construction and delivery of the ships against the tonnage to be obtained in the Second Plan is not likely to exceed 50,000 GRT. The balance of 2,50,000 GRT will have to be constructed abroad, or acquired second-hand."

#### F. Standardisation of Ships

118. In their fourteenth Report, on the Ministry of Production, the Committee had made the following suggestion:

"The Committee understand that no steps have, however, been taken in the direction of manufacturing standard ships. In view of the present position in which deliveries are slow, cost of building is high etc., the Committee consider that the whole question ought to be re-examined and a Conference arranged between the representatives of Government, the ship-owners and the ship-building industry in general to examine how far it would be advantageous to adopt a policy of manufacturing only Standard vessels, at least for some years to come".

119. The question of standardisation of ships was discussed at a Conference at which the principal shipowners were present, held on the 31st January, 1956. Thereafter a Committee was appointed consisting of representatives of Shipowners and the Ministries concerned to examine and report on the types of ships to be standardised and built at the Shipyard. This Committee went into the question and recommended that three types of ships should be standardised. These were:—

- (1) For the overseas trade a 9,500 tonner open shelter decker (with scantlings for 9,500 tonner closed shelter decker) a speed of about 16–17 knots.
- (2) For the coastal trade, a 8,000 tonner open shelter decker (with scantlings for 9,500 tonner closed shelter decker) with a speed of about 12 knots.
- (3) A 5,000 tonner open shelter decker (with scantlings for 6,000 tonner closed shelter decker) with a speed of about 12 knots, also for the coastal trade.

120. Government have accepted these recommendations. The details of the designs, specifications and machinery required for the above types of ships are being worked out by the Hindustan Shipyard Ltd., in consultation with the Director General of Shipping and the Ship-owners. Designs and specifications for 5,000 tonner open

shelter decker ships are ready and available in the Shipyard. Orders for four ships of this type have also been received and are in various stages of planning. The Eastern Shipping Corporation have also indicated their desire to order 9,500 tonner open shelter decker vessels for their overseas trade.

121. The Committee are glad to note that the standardised designs have been evolved, suited to the requirements of trade in India. With this standardisation, the Committee hope, the production capacity of the Hindustan Shipyard at Visakhapatnam should increase to some extent and facilitate the building programme during the Second Five Year Plan.

122. The Committee are, however, of the opinion that one more design of a smaller ship of 2,500 to 4,000 GRT should be evolved for coastal shipping. The Committee propose to deal with this aspect in a subsequent paragraph.

#### G. Training of technical personnel

123. In their fourteenth Report, the Committee had made a number of recommendations about the training of technical personnel who may be required for the successful implementation of the Second and the Third Shipyard in the country.

124. Ministry of Production have informed the Committee that a batch of 9 Indian technical officers was trained intensively, for specific jobs in the Shipyard of the French firm for a period of about six months during the previous year and those officers were employed in important position in the Shipyard. As this scheme had proved useful, the Ministry propose to depute three more batches of a total of 22 technical officers for similar intensive training in the Shipyards of the French firm during the current and next years. While formulating the above Scheme, the Ministry have taken into account the need to provide a nucleus of technical officers for the second Shipyard. Besides this scheme of training supervisory technical staff, the Ministry have arranged with the French firm to provide the services of 24 skilled French workers for a period of six months each to guide and train Indian workmen in modern methods of Shipbuilding and the use of up-to-date tools. Batches of French workers are now working in the Shipyard for the training of Indian workmen.

125. As regards the training of skilled workers and junior supervisory staff, the Ministry have decided to set up a training school almost immediately for the training of skilled workers and to organise evening classes for chargemen and junior supervisors not only to meet the requirements of the Visakhapatnam Shipyard; but also to provide a nucleus of trained personnel for the second Shipyard. The training school is expected to start early in 1957. The Scheme envisages the training of batches of 100 to 200 trainees over a period of 18 months. With the implementation of this scheme, about 500 technical personnel will be made available by the end of

the Second Plan as a nucleus for manning the second Shipyard when it is established.

126. The Committee are glad to note that their recommendations have been duly acted upon by the Ministry of Production. The Committee would, however, like the Ministry to accelerate the pace of training of both supervisory and skilled personnel so as to facilitate the execution of the second Shipyard at an early date.

#### H. Need for additional building capacity

127. The Committee observe that India has been paying heavily from her foreign exchange by way of freight charges and the cost of ships brought from foreign countries. From the year 1952 to the middle of 1956, this country has remitted Rs. 22,13,32,000 towards the cost of construction of new ships and the cost of second-hand ships. The following table gives its year-wise breakup.

<i>Year</i>	<i>Foreign exchange amount remitted for purchase, construction etc. of ships</i>
(1)	(2)
1952	Rs. 2,93,34,000
1953	Rs. 2,48,10,000
1954	Rs. 6,86,95,000
1955	Rs. 5,43,37,000
1956	
(Upto 30-6-56)	Rs. 4,41,56,000
<hr/> Total	<hr/> Rs. 22,13,32,000

128. According to non-official estimates, 40 percent of the tonnage at the end of the Plan was ten and under ten years of age. 88 percent of the tonnage was twenty and under twenty years of age. The tonnage which has passed the normal twenty years' life is 12 percent of the total tonnage. On that basis it may be necessary to find capacity for building ten ships every year which might become old and obsolete. Even if the production target of the Visakhapatnam Shipyard is raised to its maximum capacity in its Second phase of development, it would hardly meet the requirements even for replacements.

129. The Shipping Policy sub-Committee had suggested in 1947, the target of 2 million tons as the shipping tonnage to be achieved in five to seven years. This is nowhere near realisation. Even by the end of the Second Plan, assuming that the increase in tonnage would be according to the Plan, the tonnage will rise to 9,00,000 GRT. It would, therefore, be necessary to plan for the realisation of the target of 2 million tons at least by the end of the Third Plan.

130. Assuming that the second shipyard comes into being in the year 1958-59 and commences its production in the beginning of the Third Plan, it will mean a building capacity of about 1,20,000 GRT. of shipping per year. Even then, there will be a shortage of about 5,00,000 GRT. against an estimated target of two million tons at the end of the Third Plan. This indicates the desirability of planning a third shipyard to be established during the period of the Third Plan. As stated in the fourteenth report of the Estimates Committee, on the Ministry of Production, "it should be our objective in Planning, not merely to build the ships required for mercantile purposes on the high seas, and for coastal traffic, but also the ships required for our Navy. The ultimate Plan should provide for building ships for other countries in South and South-East Asia in competition with other suppliers".

131. Although, the Second Five Year Plan has provided for the establishment of a second shipyard, no indication is forthcoming about its date or its probable site. Now that the first year of the Second Five Year Plan is over only four years are left for taking effective steps for the establishment of second shipbuilding yard, which will take nearly three to four years before it could go into production. If the production is to begin at the end of Second Plan period, or latest by the beginning of the Third Plan, the Committee are of the opinion that the Ministry should give their most anxious consideration to this project and finalise the preliminaries like site surveys, hydrographic and industrial suitability etc. of the various sites considered suitable for this purpose and come to a quick decision about the final selection of a site for a second ship-building yard and commence the work with the least possible delay.

132. As regards the anticipated shortage of steel, the Committee hope that the position would not be as difficult as it is to-day by the time, the second shipyard goes into production. As regards the dearth of technical and supervisory personnel, the Committee have been informed that necessary steps had already been taken to meet the requirements of the second shipyard. The Committee also suggest that a tentative decision to have a third ship building yard in the earlier period of the Third Plan should also be taken at an early date.

### I. Manufacture of Diesel Marine Engines

133. The Estimates Committee in their fourteenth Report on the Ministry of Production had recommended that the question of manufacture of engines and of the preference to be given to the use of diesel engines etc. should be gone into in consultation with the Shipowners and Defence (Naval) authorities.

134. The Ministry informed the Committee that they consulted the Shipowners about establishing capacity for the manufacture of diesel engines in India and they were in favour of doing so. When

the question of standardisation arose and a ship for coastal trade was decided to be standardised, the shipowners indicated a preference for steam engines for coastal vessels. The matter was considered further and it was decided to go ahead with the establishment of a factory for manufacturing diesel marine engines. It was considered that sufficient off-take would be made from such a factory since the expansion of the Indian fleet was, mainly, to be in the number of ships for overseas trade.

135. In view of the desirability of achieving self-sufficiency in this respect, Government decided in principle, in consultation with the Planning Commission and the Ministry of Commerce and Industry, to establish a factory for manufacturing propelling machinery for ships in the public sector. The project has been included in the Second Five Year Plan. The Planning Commission have indicated to Government that requisite funds would be made available when the project was taken up for execution. At present, this project is being processed by an inter-ministerial committee with a view to inviting detailed proposals for a licence as well as technical assistance from four or five firms in this field, having a world reputation. That Committee would submit their recommendations to Government on the selection of consultants. As the project is at a preliminary planning stage, Government have not indicated any date when it would be put in commission. The Committee hope that the project would be finalised without undue delay.

#### J. Building capacity of private shipyards in India

136. In their fourteenth Report, the Committee had recommended that Government should canalise the expert knowledge and skill of the craftsmen in the country in building smaller vessels.

137. Nearly 50% of the tonnage employed on the coastal trade consists of ships having a gross registered tonnage of 5,000 tons and less. The following table\* gives the break up of tonnage as on 31-3-1956:

Size of Indian-owned tonnage as on 31-3-1956

Size of ships	No. of ships	Tonnage
Over 8001/10000 . . . . . . . . .	4	35,084
" 7001/8000 . . . . . . . . .	26	1,83,155
" 5001/7000 . . . . . . . . .	29	1,62,198
" 3001/5000 . . . . . . . . .	14	62,544
" 2001/3000 . . . . . . . . .	5	12,264
" 1001/2000 . . . . . . . . .	23	35,013
" 501/1000 . . . . . . . . .	13	10,381
" 1/500 . . . . . . . . .	7	2,264
	120	5,02,903

138. The Committee feel that smaller ships do play an important role in developing the trade of intermediate and minor ports on our vast coast of 3,500 miles. The object of the coastal vessels should be

\*Compiled by Shri M. A. Master.

of carrying goods everywhere around the coast they serve. It would not be enough to keep coastal traffic, restricted from a few selected places to a few selected places. In a developing economy, it is essential that the opportunity to develop trade should be as widespread as possible. Big ships could be used economically only in those parts which can receive them. The small ships, on the other hand can serve all those smaller ports each of which may have a potential trade worth developing. The smaller ships can operate for the greater part of their voyaging as full or nearly full ships. Their utilisation factor is greater than that of big ships due to their flexibility in the matter of ports they can safely utilise.

139. Further, smaller ships serving the coast need only be manned by Home Trade personnel, which would permit more qualified officers to serve in the country's foreign trade shipping.

140. The Committee are of the opinion that the smaller ships have an important role to play in our coastal trade. India has a number of potential ports on her vast coastline of 3,500 miles. Each potential port, known or unknown, has within its compass its own trade hinterland which would spontaneously develop if some form of Transport in an organised and secure form were made available to it. Big ships of 8000 and 9000 tons cannot be employed in this category of trade, which is as important as bulk commodity trades generally carried on by them. Only smaller ships of 2,500 to 4,000 tons could be expected to render an extensive and efficient service. Development of ports and shipping services could be generally termed as complimentary to each other. The Committee therefore, recommend that the Ministry should encourage the available building capacity of smaller vessels in the country. For achieving this purpose, the Ministry should set apart a certain amount of loan assistance which could be utilised by established Indian Shipping companies or even new companies in the field who are desirous of going in for indigenously built smaller ships. The efforts made by the Railway Equipment Committee in securing and developing the indigenous capacity for wagon-building is well known. The Committee suggest that a similar Committee may be appointed for securing and developing indigenous capacity for building small ships of 2500 to 4000 tons. The feasibility of limiting coastal trade exclusively for these small ships should also be carefully examined. If the indigenous capacity for building small ships is properly tapped, and firm orders for building small ships over a long period are placed, the Committee have no doubt that the tonnage of Indian Shipping can be substantially augmented.

## V. INDIA'S SEABORNE TRADE

### A. Introduction

141. India is geographically a maritime country, with a coastline of about 3,500 miles and some 226 major, intermediate, minor and sub-ports dotted all over it. Ports are the gateways of trade and commerce to a country. Not only do they serve its maritime transport, but also play a vital role in its national economy and defence. At the commencement of the first plan period, the major ports alone handled about 22.1 million tons of coastal, adjacent and overseas and traffic per annum which has since increased to 23.0 million tons. In addition, the minor ports of India on an average handle 5 million tons of traffic per year. Thus, the total volume of import and export traffic dealt with at the Indian ports is of the order of 30 million tons per annum. At the end of the Second Five Year Plan, the total imports and exports at major ports alone are anticipated to be 32 million tons.

### B. Coastal trade

142. The following tables give the quantity of cargo carried by Indian and foreign shipping in the coastal and adjacent trades of India during the year 1950-55;

*Table*

(i) Quantity of cargo carried by Indian shipping companies during 1950-55.

	(Figures in D. W. Tons)					
	1950	1951	1952	1953	1954	1955
On the coast of India	21,92,759	23,06,101	24,69,860	28,84,341	28,82,633	25,55,180
Adjacent trade	4,16,543	7,64,816	6,46,113	5,04,210	4,75,152	3,08,903
Total:	26,09,302	30,70,917	30,15,973	33,88,551	33,57,785	29,24,083

(ii) Quantity of cargo carried by foreign shipping companies during 1950-55  
(Figures in D. W. Tons)

	1950	1951	1952	1953	1954	1955
On the coast of India	4,56,441	1,42,158	1,37,950	Nil	Nil	Nil
Adjacent trade	6,11,886	83,574	77,682	N. A. *	N. A. *	N. A. *
Total:	10,68,327	2,25,732	2,15,632			

143. The total quantity of cargo carried on the coast by Indian shipping companies increased from 21,92,759 D.W. tons in the year 1950 to 28,84,341 D.W. tons in the year 1953, i.e. nearly by 30%, but decreased thereafter to 25,55,180 D.W. tons in the year 1955,

\*Information regarding the cargo carried by foreign shipping companies in the adjacent trades is not available with the Ministry of Transport from 1953 onwards.

although the Government of India had implemented their decision of 100% reservation of coastal trade for the Indian shipping companies from the year 1953. The freight earnings\*\* of the Indian shipping companies in the coastal trade (including adjacent trade) have also declined correspondingly from Rs. 10,86,66,992 in the year 1952-53 to Rs. 9,90,40,086 in the year 1954-55. All the while, the total tonnage of shipping employed by the Indian shipping companies on coastal trade increased from 2,17,202 G.R.T. in 1951 to 2,39,846 G.R.T. in the year 1955-56.

144. Giving reasons for the drop in coastal traffic during the year 1954-55 as compared to 1953-54, the Ministry of Transport stated that there were mainly three reasons *viz.*,

- (i) reduction in the quantity of coastal coal carried during 1955 to the extent of about 2 lakh tons, as compared to the previous year,
- (ii) reduction in the average effective tonnage employed on the coast from 2,28,000 gross tons in 1954 to about 2,12,000 gross tons in 1955, owing to reduction in the employment of chartered tonnage,
- (iii) delay to coastal ships at ports.

Giving reasons for the drop in the earnings of coastal and adjacent trade during 1953-54 and 1954-55 as compared with the earnings during 1952-53, the Ministry have adduced the following reasons;

“During the year 1953-54, the level of freight was rather low as compared with the previous year on account of the reductions effected in coastal freight rates on commodities like salt, cement and certain items of general cargo. For example the freight rates for salt were reduced by Rs. 3/- per ton during that year and the rate for cement by Rs. 2/- per ton. In addition, ships were subjected to considerable delays at the ports mainly on account of labour troubles and this also adversely affected the earnings of the shipping companies during that year. The reduction in the import of Burma rice, as compared with the previous year also accounted for a decline in the earnings of the shipping companies. During 1954-55, there was a general shortage of tonnage resulting from sales, scrapping etc., and non-replacement in time due to delays in delivery of H. S. L. ships, rise of prices in Second-hand market etc. In addition conditions at the ports deteriorated further mainly on account of labour troubles and this resulted in fewer round voyages being performed by the ships. The cumulative effect of all factors was a decline in the earnings of Indian Shipping Companies during the year 1954-55”.

145. This decrease in coastal traffic and freight earnings may also partly be attributed to the diversion of normal sea traffic to other modes of transport in the country, including the Railways. This is indicated by the figures of export of salt from the port of Kandla which are given below:

Figures of export of salt from Kandla

Year	Quantity in tons
1953 . . . . .	34,940
1954 . . . . .	14,654
1955 . . . . .	21,970

\*\*Excluding passage earnings.

146. The Committee further note from a statement made by the study group of the consultative Committee of shipowners that 40,000 tons of bone meal and manure from Saurashtra ports and 50,000 tons of salt from Kandla were diverted from sea to the rail route.

147. As regards the transportation of bone meal, the Ministry of Transport have informed this Committee that no such information was available in their office or with the Indian Coastal Conference.

As regards the transportation of salt, the Ministry of Transport have observed as under:

"the fact that rail link with Kandla was also established in the same year seems to support the contention that in recent years some diversion of the salt traffic to the rail route has taken place."

148. The Ministry of transport have also informed this Committee that the complaint about diversion of bone meal and salt traffic to the rail route had been brought to the notice of the Rail-sea-Co-ordination Committee whose terms of reference *inter-alia* included examination of the existing pattern of trade, within the country of commodities which could suitably move by sea and suggest measures to ensure effective co-ordination between Railways and coastal shipping with a view to promoting movement of such goods by sea.

149. Since the matter is within the purview of the Rail-cum-sea Co-ordination Committee, the Estimates Committee do not propose to offer any suggestions except that steps should be taken as early as possible to rationalise the carriage of traffic between rail and sea in such a way that the coastal shipping is utilised to its full capacity in the wider interests of the country.

150. The Committee further note that the coastal trade is confined to-day more or less to major ports of India. This is because some of the intermediate ports do not have the adequate port facilities at present for big size ships of 8,000 to 9,000 tons and the minor and sub-ports have almost no facility. Nearly half of the existing coastal trade of India is confined to movement of bulk commodities, *viz.*, coal and salt which are carried in 5,000 and 8,000 tonners. Coal is moved from Calcutta for the major ports on the coastline and salt is moved from Kandla and Saurashtra ports for Calcutta. Since this movement of bulk commodities is more or less a two way balancing traffic, legitimate need of developing traffic through intermediate ports on the coastline has been lost sight of further.

151. The pattern of coastal trade revolves round several factors, besides adequacy of port facilities. Traffic potential, which is considered one of the major factors, is dependent mainly upon the existence of rail, road and navigational links with vital transhipment points and trade centres of the hinterland. As these facilities were inadequate or non-existent, the flow of traffic was naturally negligible and so the development of port facilities at most of the intermediate, minor and sub-ports did not receive the consideration which it deserved.

152. The Committee, therefore, feel that the problem of evolving a balanced pattern of trade at intermediate and minor ports on the vast coast-line of India, requires a well co-ordinated and integrated plan. The Committee hope that such a plan will be evolved by the Rail-cum-sea Co-ordination Committee. It is unfortunate that no representative of the shipping interests which are vitally concerned in the matter was included in this Committee.

### C. Chartered Tonnage

153. Regarding chartered tonnage on coastal trade, the Ministry of Transport have informed the Committee that they had information only in respect of the years 1954 and 1955. The figures of the quantity of cargo lifted in chartered tonnage and charter hire expenditure in respect of ships chartered by Indian Parties for coastal trade are given below :

Year	Charter hire expenditure	Cargo lifted in D.W.T.
1951	422,551	..
1952	667,007	..
1953	600,332	..
1954	508,558	4,90,854
1955	211,598	1,07,594

154. Asked to reconcile the above facts with the policy of reserving coastal trade entirely for Indian shipping, the representative of the Ministry of Transport informed the Committee that there was a general ban on chartering of vessels on the coasts, but owing to paucity of second hand tonnage or new building orders being very difficult to obtain the Ministry had allowed certain relaxations and at the present moment the relaxations were only in two cases. One was relaxation given to the Great Eastern Shipping Co. Ltd., for about three vessels which they had chartered and the ships withdrawn from the coast were being used by them for overseas purposes. The other exception was that of Messrs. Ray & Co., They were carrying their own timber from the Andamans. There was no other exception.

155. The Committee feel that the policy of allowing Chartering of vessels for Coastal Trade is not in keeping with the policy of 100% reservation of Coastal trade for Indian Shipping Companies and as such the Committee hope that in future such relaxations in the use of Chartered Vessels for normal trade purposes on the coast will be avoided, as far as possible.

156. The Committee further recommend that the Ministry should also enforce gradual reservation of coastal trade in wet cargo for Indian Shipping Companies until the foreign participation is completely eliminated as the 100% reservation of Coastal trade for Indian Shipping Companies will be achieved only when the entire cargo on the coast in both dry and wet is lifted by the Indian Shipping Companies.

### D. Passenger Traffic

157. The following are the statistics of passengers carried by Indian shipping companies on the coasts of India, Burma, Ceylon, Pakistan and Malaya during the years 1950-55:

	<i>Table</i>					
	1950	1951	1952	1953	1954	1955
Indian Coast .	14,41,110	13,36,157	14,18,559	12,58,780	12,39,907	12,34,675
India/Pakistan .	36,348	16,287	17,519	34,539	49,771	48,396
India/Ceylon .	10,431	6,192	7,660	2,775	Nil	Nil
India/Burma .	15,453	13,415	13,210	6,796	14,224	14,161
Other sections .	14,444	7,919	10,447	Nil	Nil	Nil
<b>TOTAL .</b>	<b>15,17,786</b>	<b>13,79,970</b>	<b>14,67,395</b>	<b>13,02,890</b>	<b>13,03,902</b>	<b>12,97,232</b>

The Committee observe that there had been a decline in the number of passengers carried on the Indian coast from the year 1952 to 1955.

The following are the figures of passage earnings of Indian shipping companies on coastal and adjacent services during the year 1950-51 to 1954-55.

Year	Passage earning
1950-51 . . . . .	1,27,96,846
1951-52 . . . . .	1,25,62,042
1952-53 . . . . .	1,26,54,297
1953-54 . . . . .	1,11,32,917
1954-55 . . . . .	1,16,15,527

158. The Committee observe that passage earnings of Indian shipping companies on coastal and adjacent services have dropped by about 9% during the years 1950-51 to 1954-55, while the number of passengers carried during the same period has dropped by about 14%.

159. The Committee feel that there is a great scope of developing passenger traffic on coastal and adjacent services, provided the existing standard of passenger amenities is improved and regularity of services ensured. There is also need for giving adequate publicity on proper lines to marine passenger services which would create a lure for sea travel in the people.

160. The Committee therefore, recommend that both the Ministry and the shipping companies, should launch a vigorous publicity drive for it in India and in adjacent countries served by Indian Shipping Services.

### E. Adjacent Trade

161. From the figures available, the committee observe that the total quantity of cargoes moved by Indian shipping companies in

adjacent trade, reached its peak level of 7,64,816 D.W. Tons in the year 1951 and continuously declined thereafter, reaching 3,68,906 D.W. tons in the year 1955.

162. The Committee were informed by the Ministry of Transport that they were not in possession of figures of quantity of cargoes carried by foreign shipping companies in adjacent trades from the year 1953 onwards. The Committee are therefore, not in a position to assess the possible degree of foreign competition in this trade. The Committee consider it rather unfortunate that such vital statistics having a direct bearing on the trade and commerce of the country should not be available with the Ministry.

163. The Committee however hope that the Trade Agreements with Burma and Pakistan, signed recently will help to improve the quantum of adjacent trade which has declined.

164. The Committee note that Article VIII of the Trade Agreement with Burma, as given below deals with shipping interest of both countries where no article to that effect has been incorporated in the agreement with Pakistan. The Committee suggest that a similar article may be incorporated in future trade agreements with foreign countries if possible.

#### ARTICLE VIII

"The two Governments will use their best endeavours to promote the development and interest of shipping of both countries and in particular, shall accord to the ships sailing under the flag of the other country, while entering, staying, or leaving the ports of their country, all facilities consistent with their respective laws, rules & regulations".

#### F. Wet cargo

165. Participation of wet cargo, in the total volume of principal basic commodities in international trade, has registered a marked increase in recent times. The pattern of international trade is also affected considerably due to its increasing participation. Enterprising commercial oil companies have displayed a mad rush in ordering tankers in world Shipyards, consequent to which they are all full to their maximum building capacity. According to the latest review, there were 692 tankers totalling 19,225,280 tons on order in the world's yards as on June 30, 1956. The figure it is stated, far exceeds any previous total, indicating that additional contracts amounting to about 7,000,000 D. W. Tons had been placed in the six month period.

166. It would be pertinent to quote a paragraph from a special review appearing in one of the shipping journals\* in India.

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\*Indian Shipping—October, 1956.

"Since the third quarter of 1955, there has been a remarkable upsurge in the construction of tankers. The demand for, and the transport of, oil and oil products has gone up very steeply, in recent years and expectations are that they will go on increasing for a long time to come. World oil consumption has more than doubled since the war and the view has been expressed that in 20 years it will be twice as high as now. The prospects of the use of atomic fuel in the future for industries do not seem to have any adverse effect to these optimistic expectations. Of the 19.69 million tons of Shipping under construction or on order throughout the world, as much as 11.05 million tons or 56% of the whole are stated to be oil tankers."

(i) *Indian Tanker Tonnage.*

167. There are at present two Indian tankers one each in the private and the public sectors, totalling about 15,000 G.R.T. The Second Five Year Plan envisages a target of 23,000 G.R.T. of tankers to be achieved by the end of the Plan period. Taking into account the above two tankers of about 15,000 G.R.T., the addition to be made during the Second Plan period is 8,000 G.R.T. i.e., one more medium size tanker. The Committee have been informed that the second tanker would also be acquired in the public sector and operated by the Western Shipping Corporation.

168. Since the starting of oil refineries, the import of crude oil has increased considerably, and at present this is imported in foreign tankers. From the time of starting of the oil refineries till the 31st March, 1956 the Burma Shell and Standard Vacuum Refineries had to pay more than Rs.  $4\frac{1}{2}$  crores as freight to foreign shipping on import of crude oil. The Committee, therefore, suggest that the question of acquiring more tankers in the private and/or public sector should be given serious consideration.

### G. Overseas Trade

169. From the view point of earning foreign exchange, overseas trade has a great importance. At the beginning of the first Plan, India's overseas tonnage was 1,73,505 G.R.T. As against the target of 2,83,505 G.R.T. set in the First Five Year Plan for overseas trade only 2,50,000 G.R.T. were in commission on the 31st March, 1956 as per Appendix III.

170. The Committee had asked the Ministry of Transport to furnish figures of overseas trade carried on by foreign Shipping Companies and figures of overseas imports on Government account but unfortunately the Ministry of Transport stated that information in the above respects was not readily available.

171. The Committee suggest that Government should take steps to maintain such vital statistics.

172. Following are the figures of cargo carried by Indian Shipping Companies in the overseas trade of India during the years 1950-1955:—

(Figures in D. W. Tons)

	1950	1951	1952	1953	1954	1955
India/U. K. & Continent (including Middle East)	5,59,343	5,23,792	4,60,845	6,18,192	5,37,160	7,06,993
India/U. S. A.	1,68,948	1,27,069	85,616	8,539	..	..
India/Australia	75,183	79,541	83,008	19,671	43,159	80,979
India/Straits	..	14,287	13,956	7,933	5,633	26,036
India/E. Africa	..	..	..	..	9,316	24,635
India/Japan/Far East	..	..	39,317	75,475	17,512	87,198
India/Persian Gulf	..	..	..	..	38,612	61,607
Between non-Indian Ports	30,156	51,773	26,195	38,301	1,81,527	2,08,155
<b>TOTAL</b>	<b>8,33,630</b>	<b>7,96,462</b>	<b>7,08,937</b>	<b>7,68,111</b>	<b>8,32,919</b>	<b>11,95,603*</b>

\*Figures for 1955 are subject to confirmation from Shipping Companies.

173. The following are the figures of the Indian tonnage employed in overseas trade during the years 1951 and 1955 and the quantity of cargo lifted respectively during those two years.

Year	Quantity of cargo lifted		Overseas tonnage employed
	D. W. Tons	G.R.T.	
1951	..	..	7,96,462 1,73,505
1955	..	..	11,95,603 2,39,953*

\*Tonnage on 31-3-1956.

174. The Committee observe that against 38 per cent. increase in overseas tonnage, during the years 1951-55, the quantity of cargo lifted has increased by nearly 50% which means that utilisation factor of the overseas fleet has shown a marked improvement at the end of the First Five Year Plan.

175. Regarding the quantum of trade with overseas countries during the years 1950 to 1955, the Committee observe that there was 26 percent. rise in the trade with United Kingdom and Continent (including middle East), 7 percent. increase in India/Australia trade, 82 percent increase in India/Straits trade\*\* 590% rise in trade with non-Indian ports and 122% rise in India/Japan/Far East trade@. Trade with East Africa and Persian Gulf has also progressed satisfactorily during the years 1954 and 1955.

176. Trade with United States of America which was 1,68,948 D.W. tons in the year 1950 declined to 8,539 D.W. tons in the year

\*\*From 1951 to 1955.

@From 1952 to 1955.

1953 and disappeared completely thereafter. The Committee note that the Indian Shipping Companies have completely disappeared from the India/U.S.A. trade which fromed 22 percent. of the total overseas trade carried by Indian Shipping Companies in the year 1950.

177. The following table† gives the figures of proportionate participation of British and American tonnage in the India/U.S.A. trade during the year 1953 to 1955:—

*Percentage of total tonnage entered in India in the Year*

Flag	1953*		1954@		1955†	
	Import	Export	Import	Export	Import	Export
Indian . . .	0·67	0·27	..	..	..	..
British . . .	19·30	23·07	19·11	24·61	16·46	27·16
American . . .	46·45	42·10	45·94	29·93	55·73	39·76

178. This shows that the American flag participation in the India/U.S.A. import trade has increased from 46·45% in the year 1953\* to 55·73% in the 1955† while the British flag participation in the India/U.S.A. export trade has increased from 23·07% to 27·16% during the same period, although the proportion of American flag participation is predominant both in the import and export trades in the India/U.S.A. trade.

The Indian flag participation in the India/U.S.A. trade is conspicuously absent.

179. The Committee, therefore, suggest that the Ministry of Transport should examine this question in consultation with the representatives of the Indian Shipping Companies in all its aspects and devise ways and means which would enable either the private sector or the public sector to participate in that important trade.

#### H. Import of cargo on Government account

180. The Committee had asked the Ministry of Transport to furnish the figures of quantities of cargo imported into India on Government account but the Ministry stated that they had no information readily available with them.

181. The Committee believe that Government cargoes form a good percentage of India's total overseas imports and hence steps should be taken to carry them in Indian vessels as far as possible. Further the Committee agree with the following two recommendations made by the Stores Purchase Committee, 1953-1955‡ in this connection.

†Figures given in this table are derived from 'Indian Shipping' issues dated September, 1954, August, 1955 and July, 1956.

\*April 1953 to March 1954.

②April 1954 to March 1955.

+April 1955 to December, 1955.

‡Para 37—Paragraphs 6·11 and 6·12.

"We understand that about forty percent. of the tonnage of Store Department, London and the India Supply Mission, Washington, is transported to India in Indian ships. This has been possible because of the fact that the contracts concluded by our foreign Missions are generally on f.o.b. basis which entitled the purchasers to nominate the shipping agency. While we recognise the efforts made by our Mission to transport as much cargo as possible by Indian vessels, we suggest that their attention should be drawn to the increase in the carrying capacity of Indian Shiping Companies with a view to diverting more and more cargo to Indian bottoms so that the increase in capacity continues to be fully employed.

In regard to contracts placed in India by the Directorate General of Supplies and Disposals and others, the position is different. They normally place orders for imported stores on c.i.f. or f.o.r. Indian Port basis wherein the responsibility for transport of goods unless otherwise specified, rests with the Suppliers. Even the importing agencies in India, we are informed have no hand, in the shipment of materials which is arranged by the manufacturers abroad. It is also possible that Indian Vessels may not always be available at the time when goods are ready for shipment. Nevertheless, we should strive to utilise the services of Indian Shipping Agencies for transport of foreign goods purchased in India on Government account and for this purpose we suggest that a clause on the following lines may be inserted in large valued contracts where the delivery schedule would permit such an arrangement:

"Shipping—Purchaser shall have the right to nominate from time to time, having regard to the circumstances prevailing, vessels for the carriage of the goods covered by this contract. The supplier shall be bound to arrange shipment by such nominated vessels".

#### I. Freight earned by Indian Shipping companies in overseas trades.

182. The following table gives the amounts of freight earned by the Indian Shipping companies in the overseas trades during the years 1950-51 to 1954-55:

Year	Freight (in Rs.)
1950-51	7,01,28,691
1951-52	9,32,09,294
1952-53	9,42,88,797
1953-54	8,23,54,381
1954-55	9,98,79,792

183. The Committee observe that although there was a drop in freight earnings during the year 1953-54, the total freight earnings have increased by about 41 percent. during the years 1950-51 to 1954-55, against corresponding increase of about 50 percent. in the quantity of cargo carried during that period.

#### *Passage earnings in overseas services*

184. The following table gives the figures of passage earnings and

the number of passengers carried in overseas services by the Indian Shipping Companies during the years 1950-51 to 1954-55:

Year	Number of@ Passage Passengers earnings.*	
	Rs.	Rs.
1951 . . . . .	22,485	28,28,357
1952 . . . . .	28,051	34,45,590
1953 . . . . .	22,369	17,33,210
1954 . . . . .	26,937	34,54,545
1955 . . . . .	50,813	55,76,616

185. The Committee observe that there had been an increase of passage earnings by nearly 95 percent. over the figure of the year 1951, while the number of passengers increased by nearly 125 percent.

186. The brief analysis of India's overseas trade given above shows that Indian Shipping has wide scope for securing more overseas traffic and that it has a very bright future. The only limiting factor is the pace of acquisition of more shipping tonnage so that more traffic can be carried in Indian bottoms. Given adequate tonnage, the Committee have no doubt that India will take its rightful place as one of the leading maritime countries in the world. The day is not far off, when a continuous chain of Indian Ships under the Tricolour will constantly girdle the globe carrying her message of universal peace and brotherhood.

BALVANTRAY G. MEHTA,  
*Chairman,*  
*Estimates Committee.*

NEW DELHI;  
*Dated the 28th March. 1957.*

\*In respect of year beginning from April and ending in March.

@Scindias were operating a passenger service from 1948 to 1954 in India/East Africa service, but no statistics of passengers carried by them in that trade are available. The Eastern Shipping Corporation started the passenger service between India and East Africa from 21-7-1954.

## APPENDIX I

### *Summary of Recommendations of the Reconstruction Policy sub-Committee on shipping 1945-47.*

We strongly emphasise that India should adopt a national shipping policy similar to the policies adopted by the important maritime countries of the world. We define the term "Indian Shipping" as shipping owned, controlled and managed by the nationals of India.

2. Proceeding on the generally accepted principle that a country should carry in its own national bottoms at least 50 per cent of her maritime trades, we recommend that 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.

3. In regard to state aid, our recommendations are that the Government of India should give financial aid to that section of the industry which partakes in India's oversea's trade. As the licensing system recommended by us would naturally limit the tonnage operating on the coast this portion of Indian shipping need not necessarily be financed by state aid.

4. In order to implement our recommendations it is vital that the Government of India should take immediate steps to set up a Shipping Board. The Shipping Board should be the spear-point of policy locally and internationally and should have powers to licence coastal vessels and to submit to Government proposals for the removal of all evils of monopolistic exploitation.

5. Owing to a number of practical difficulties it is not possible for the Sub-committee to lay down at this stage the specific target tonnage this country should eventually have and our recommendations constitute a programme of action for the next five to seven years only.

6. We have pointed out the defects in the existing statistical data and the necessity for filling up the gaps. It would be advantageous to ask the Port Trusts to undertake this task of improving statistical data and for this reason and for the other principal reason that the shipping policy and all other questions relating to the ports should be dealt with in the same department, we recommend that the control over the Port Trusts should go over from the Transport Department to the Commerce Department. We recommend further that the shipping statistics should be separated from the trade statistics and published in a separate volume as is done in the U. K.

7. We recommend that 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.

8. The consensus of opinion is that 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. This figure does not include country craft. Negotiations with H.M.G. and British Companies, immediate acquisition of tonnage by Indian Companies to carry the food grains required to be imported into India, purchase of U.S.A.'s surplus ships and building in India and U.K. are the principal ways of acquiring the additional tonnage.

9. As the Indian Shipping industry is still very young, we feel that emphasis should now be placed on how Indian Companies could expend their fleets and we have, therefore, stated that it is not possible at this stage to define what an "economically adequate unit" would be so far as this industry is concerned. It would not be desirable to fix a tonnage limit for Indian shipping companies nor would we recommend the imposition of any restriction on them with reference to their capital structure. But, we are anxious to prevent monopolistic exploitation we have recommended that the Indian Shipping Board should be empowered to control deferred rebates, rate-cutting and all other evils arising from monopolies.

10. Equitable division of trades between Indian shipping companies is essentially a matter of detail to be settled by the Companies themselves. If the Companies, however, fail to come to an agreement Government should evolve suitable measures for the fair and equitable distribution of the different trades.

**APPENDIX II**  
**DEPARTMENT OF COMMERCE**  
**RESOLUTION**

**MERCANTILE MARINE**

*NEW DELHI, the 12th July 1947.* No. 172-M.I. (25)/47.—The Reconstruction Policy Committee on Shipping at its meeting held on the 26th October 1945, appointed a Sub-Committee with the following terms of reference. “To Consider the Departmental Statement on Post-War Shipping Policy, and in the light of that statement and all relevant considerations, to recommend:—

- (1) What would be a suitable tonnage target for Indian Shipping, to be attained within a period of five or ten years;
- (2) what percentage shares of the maritime trade of India and other trades in which India is interested both coastal and oversea, cargo and passenger should be secured for Indian Shipping and
- (3) what measures should be taken —
  - (a) to regulate the Shipping Industry with a view (i) to preventing the formation or establishment of combines or monopolies or excessively large units within the industry and (ii) to ensuring that the number of Shipping Companies is not larger than economically adequate;
  - (b) to ensure a fair and equitable distribution, among existing companies and those yet to be established of trades which may hereafter be secured for Indian Shipping.

The Sub-Committee will be competent to make such other recommendations as seem germane to the subject”.

The Members of the Sub-Committee were as follows :—

Shri C.P. Ramaswamy Aiyar, K.C.S.I.,

K.C.I.E., Ltd., (*Chairman*)

Mr. K. C. Neogy, M.L.A.

Mr. M. A. Master.

Sir Abdul Halim Ghuznavi.

Mr. W. L. A. Radcliffe.

The Sub-Committee held several meetings in New Delhi and Bombay and submitted its report in March 1947, which has already been published. The report, which is a unanimous one, except for two dissenting minutes in regard to the question of definition of “Indian Shipping”, was considered by the Policy Committee at a meeting held on 22nd March, 1947 and was approved.

2. The Government of India fully endorse the view of the Committee that India like other important maritime countries must adopt a dynamic policy with regard to her shipping and take this opportunity of reaffirming the Departmental statement on Post-war Shipping Policy which was published as part of the Second report on Reconstruction Planning and which has been reproduced on page 24 of the printed report. The statement, however, needs to be further amplified in the light of the developments that have taken place since, and the concrete suggestions and recommendations made by the Committee. The Government of India have, therefore, given careful consideration to the report and their conclusions on the more important recommendations are summarised in the succeeding paragraphs.

3. The Government of India agree that the definition of Indian Shipping as shipping owned, controlled, and managed by Indian nationals, as recommended by the majority of the members of the Committee, would be the ideal one and should be the ultimate objective. A rigid application of this definition would, however, exclude some of the most important shipping companies in India simply because an insignificant proportion of their shares is held by non-Indians. Account has also to be taken of the fact that in the present stage of its development the industry may, in the interests of efficiency, have to enlist non-Indian managerial or technical assistance. The Government of India have accordingly come to the conclusion that in present conditions the criteria to be satisfied by companies to qualify them for treatment as 'Indian Shipping' Companies should be as follows :—

- (a) The steamers of the companies should be registered at a port or ports in British India; provided that where Government are satisfied that any company is prevented from complying with this condition by circumstances beyond its control, it may be modified suitably.
- (b) At least 75 per cent of the shares and debentures of the companies should be held by Indians in their own rights;
- (c) All the Directors should be Indians ;
- (d) The Managing Agents, if any, should be Indians.

The Government of India wish to add that any company, which finds it difficult to comply with any of the conditions (a) to (d) above, may apply for Government's specific approval to its being treated as an Indian Shipping Company. Such applications will be considered by Government in the light of the reasons for which the Company asks for special treatment and the circumstances which prevent it from complying with all the four conditions.

4. 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 trades formerly carried in Axis vessels in the Orient, and it is the intention of the Government of India to assist Indian Shipping as far as possible in this direction.

5. The Government of India accepts the Committee's view that the development of Indian mercantile marine would be facilitated if an understanding on the subject could be reached with His Majesty's Government

and British shipping interests. In recent correspondence on the subject with the Government of India His Majesty's Government themselves suggested that the two Governments should bring about discussions between representative groups of Indian and British shipowners to consider how Indians aspirations could best be met. The Government of India agreed to the proposal in consultation with Indian Shipping Companies and the discussions are about to commence.

6. The Government of India accept in principle the recommendation of the Committee that a Shipping Board should be set up and agree generally with the proposal regarding its functions.

7. The recommendations of the Committee relating to the transfer of the administration of the subject 'Ports and Pilotage' to the Commerce Department, the question of developing shipbuilding facilities in India and the improvement of the existing system of compilation and publication of shipping statistics are under separate consideration of Government. Of the remaining recommendations the course of action suggested in most of them has already been adopted by Government for some time past. For instance Government are actively assisting Indian Companies in acquiring additional tonnage from overseas countries either by purchase or by new building, and steps have already been taken in the case of new ships acquired in foreign countries to secure cargoes of foodgrains whenever they were available. A system of licensing and control, although of limited duration and scope, has also been introduced in the coastal trade and the Government of India consider that these arrangements could ultimately lead up to the more comprehensive system recommended by the Committee.

8. The Government of India wish to express their appreciation of the services rendered by the Chairman and members of the Committee in preparing a valuable report.

### APPENDIX III.

*Abstract showing the number of vessels and tonnage employed on different lines as on 31st March, 1956*

#### I. Coastal and adjacent trades.

		No. of vessels.	Total G.R.T.
Dry cargo Vessels	· · · ·	76	2,21,492
Purely Passenger Ships	· · · ·	9	7,084
Passenger-cum-cargo vessels	· · · ·	4	10,587
Tankers	· · · ·	1	683
 TOTAL	· · · ·	<u>90</u>	<u>2,39,845</u>

#### II. Overseas Trades

##### (a) Dry cargo vessels

India/U.K./ Continental Trade	· · · ·	25	1,73,406
India/Persian Gulf Trade	· · · ·	3	9,861
India/Australia	· · · ·	2	14,433
India/Japan/Far East	· · · ·	2	10,759
Tramp Trade	· · · ·	2	14,393
 TOTAL	· · · ·	<u>34</u>	<u>2,22,852</u>

##### (b) Passenger-cum-cargo vessels.

India/Malaya/Singapore	· · · ·	1	8,580
India/East Africa	· · · ·	1	8,521
 TOTAL	· · · ·	<u>2</u>	<u>17,101</u>
 GRAND TOTAL	· · · ·	<u>36</u>	<u>2,39,953</u>

*Note:—The Statement does not include the tanker mt. "Jag Jyoti" purchased by the Great Eastern Shipping Co. Ltd., and for which Government have advanced a loan of Rs. 73.66 lakhs as the Vessel was registered in India only in April, 1956.*

**APPENDIX IV**

*Statement showing particulars of loans granted to Indian Shipping Companies upto 31-3-1956.*  
**COASTAL TRADE**

Year	Name of Company	Date of applying for loan	Date on which loan was sanctioned	Amount of loan sanctioned	Amount of loan utilised	Name of the ship	Gross Tons
1	2	3	4	5	6	7	8
1951-52	Bharat Line Ltd. Bombay New Dholera Steamship Co. Ltd., Bombay	18-12-1951 30-1-1952	24-12-1951 14-2-1952	33,00,000 42,00,000	33,00,000 42,00,000	Bharat Vijaya	5,977
1952-53	Bharat Line Ltd., Bombay Malabar S.S. Co. Ltd. Bombay Chandbali S.S. Co. Ltd., Calcutta	17-10-1952 14-8-1952	9-2-1953 26-8-1952	24,00,000 *24,80,000	24,00,000 24,80,000	Jayshoor Bharatveer Janeta	5,970 7,274 5,536
1953-54	Gill Amin & Co. Ltd. Bombay India Steamship Co. Ltd. Calcutta Great Eastern Shipping Co. Ltd., Bombay	11-9-1952 27-2-1953	7-1-1953 2-7-1953	5,51,000 *26,66,000	5,51,000 26,66,000	Ramakrishna Sheila Margaret	1,791 682
1954-55	South East India Shipping Co. Ltd., Bombay National Steamship Co. Ltd., Bombay The Malabar Steamship Co. Ltd., Bombay Great Eastern Shipping Co. Ltd., Bombay	30-6-1953	29-10-1953	7,50,000	7,50,000	Maharashmi	1,791
		23-3-1954	2-4-1954	16,88,000	16,88,000	Jyoti	1,355
		1-3-1954	15-4-1954	24,50,000	24,50,000	Janani	4,221
		3-12-1954	22-12-1954	52,70,000	52,70,000	Jag Tara	3,982

1955-56	Africana Co. Ltd., Bombay Great Eastern Shipping Co. Ltd., Bombay . . .	6-9-1955 11-1-1956	30-9-1955 28-2-1956	19,55,000 73,66,000	19,55,000 73,66,000	Sagar Rani (Tanker)	1,492 8,208
<b>VIZAG SHIPS</b>							
1951-52	Bharat Line Ltd. Bombay . .	—	—	44,50,000*	44,50,000	Bharatmitra	5,104
1952-53	—do— Great Eastern Shipping Co. Ltd., Bombay . . .	8-11-1952 —	21-3-1953 —	39,33,333 26;	39,33,333 26,25,000	Bharatratna Jag Rani	5,172 5,103
				4,90,75,333	4,90,75,333		73,050

\*These loans have since been repaid.

## APPENDIX V

*Statement showing particulars of loans granted to Indian Shipping Companies upto 31-3-1956*

				3 Vessels under construction in Germany		19,500*	
1955-56		14-3-1955	26-3-1955				
		The Scindia Steam Navig. Co. Ltd., Bombay	26-3-1955	13-8-1955	2,15,42,400	43,08,400	2
			10-6-1955	20-9-1955	1,07,00,000	21,40,000	1
		—do—					—do—
		Great Eastern Shipping Co. Ltd., Bombay	30-9-1955	15-10-1955	97,00,000	24,25,000	1 Vessel under construction in Japan.
		Indian Steamship Co. Ltd. Calcutta	8-8-1955	7-2-1956	2,95,00,000	59,00,000	2 Vessels under construction in Germany.
							14,000*
		TOTAL			19,24,22,400	11,20,85,400	

2

\* These vessels are expected to be delivered in the course of the next 1 or 2 years.

## APPENDIX VI

**Statement showing particulars of ships ordered, constructed for and delivered to Indian shipowners from shipyards abroad and in India during the First Five Year Plan**

No. Name of the Shipping Company	Yard at which order is placed	Name of the vessels ordered	Date of placing of order	Date of delivery	G.R.T.	Cost Price	Govt. From the loan company's if any resources granted (Rs. in lakhs)
----------------------------------	-------------------------------	-----------------------------	--------------------------	------------------	--------	------------	---

### *I. Particulars of orders placed abroad*

- |    |   |                                    |  |           |                      |                |            |        |
|----|---|------------------------------------|--|-----------|----------------------|----------------|------------|--------|
| I. | The Eastern Shipping Corporation Ltd., Bombay | Lubeck Flen-<br>der, Ger-<br>many. | s.s. Travancore<br>Cochin.                       | Oct. '54  | 6,250                | 117            | —          | 117.00 |
| 2. | The India Steamship Co. Ltd., Calcutta.       | Howaldts-<br>werke,<br>Germany.    | s.s. Indian<br>Reliance<br>s.s. Indian<br>Renown | March '54 | Dec. '54<br>Feb. '55 | 7,425<br>7,422 | 135<br>135 | 216.80 |
| 3. | The Scindia Steam Navg. Co. Ltd., Bombay.     | Lubeck Flen-<br>der, Germany.      | m.v. Jal Azad<br>m.v. Jal Jawahar                | July '54  | May '55<br>July '55  | 6,199<br>6,199 | 108<br>108 | 32.40  |
|    | TOTAL   |                                    |  |           |                      | 33,495         | 603        | 400.40 |

*II. Particulars of orders placed in India, with Hindustan Shipyards Ltd., Visakhapatnam*

1. The Bharat Line Ltd., Bombay	HSL, Visakhapatnam	s.s. Bharatmitra	3-4-1951	5,104	44·50	44·50	—
2. The Scindia Steam Navg. Co. Ltd., Bombay	—do—	—do—	9-8-1952 17-10-1952	5,103 5,130	52·24 56·15	—	52·24 56·15
3. —do—	—do—	—do—					
4. The Bharat Line Ltd., Bombay	—do—	—do—	15-7-1954	5,172	59·00	39·33	19·67
5. The Scindia Steam Navg. Co. Ltd., Bombay	—do—	—do—	19-8-1954	5,172	59·00	—	59·00
6. The Great Eastern Shipping Co. Ltd., Bombay	—do—	—do—	9-6-1952	5,130	52·50	26·25	26·25
7. The Scindia Steam Navg. Co. Ltd., Bombay	—do—	—do—	22-6-1955 29-12-1955	4,650 4,600	85·00 84·00	—	85·00 84·00
8. —do—	—do—	—do—					
TOTAL .	40,061	492·39	110·08	382·31			65

## APPENDIX VII

*Statement showing particulars of second hand ships acquired during the First Five Year Plan period*

Year of Purchase	Name of the Company	Name of ship	Year when built	G.R.T.	Cost Price of the vessel	Amount of loan granted, if any.
1	2	3	4	5	6	7
1. 1951-52	Bharat Line Ltd., Bombay New Dholera Steamship Ltd., Bombay Merchant Steam Navg. Co. Ltd., Bombay —do— —do—	Bharat Vijaya Jayshoor Sagarprabha Sagarlaxmi Margaret Rose Mahasagar Jagdamba Audumla	1943 1941 1932 1926 1919 1914 1933 1918	5977 5970 1413 1895 811 846 1416 640	Rs. 58,66,653 63,33,333 15,33,333 14,66,666 5,00,000 4,26,666 17,33,333 2,73,333	Rs. 33,00,000 42,00,000 — — — — — —
				18968	1,81,33,317	
2. 1952-53	Bharat Line Ltd., Bombay Malabar Steamships Ltd., Bombay Chandbali Steamer Service Co. Calcutta Gill Amin & Co. Bombay Scindia Steam Navg. Co., Bombay —do—	Bharatveer Janeta Ram-Krishna Sheila-Margaret Jalamohan Jalajyoti	1943 1941 1943 1944 1941 1943	7274 5536 1791 682 5969 5975	Rs. 36,00,000 37,33,333 8,06,667 6,06,666 51,33,333 48,66,666	Rs. 24,00,000 24,80,000 5,51,000 3,25,000 — —

\*These Vessels, even though licensed for employment in the coastal trade are employed in the islands of Goa Trade. The licences granted for these vessels were therefore subsequently cancelled.

1	2	3	4	5	6	7
4. 1954-55	The National Steamship Co. Ltd., Bombay The Malabar Steamship Co. Ltd., Bombay The Great Eastern Shipping Co. Ltd., Bombay The Scindia Steam Navg. Co. Ltd., Bombay The P. C. Ray & Co., Calcutta The Great Eastern Shipping Co. Ltd., Bombay	Jyoti Janani Jag Tara Jalabala Ray Andamans Jag Shanti	1949 1947 1954 1946 1922 1941	1355 4221 3982 1208 2256 4854	25,33,333 32,66,667 62,00,000 5,06,666 8,80,000 19,86,667	16,88,000 24,50,000 52,70,000 — — —
5. 1955-56	The Africana Co. Ltd., Bombay The Gill Amin & Co. Ltd., Bombay The Shaparia Dock Ltd., Bombay The Bhogilal & Co. Ltd., Bombay The Scindia Steam Navg. Co. Ltd., Bombay The Great Eastern Shipping Co. Ltd., Bombay m.t. Jag Jyoti	Sagar Rani Vir Pandian Mahendra Krishna * s.s. Jalatarang Jag Jyoti	1948 1945 — — 1944 1948	1492 394 300 180 1917 8208	29,33,333 2,00,000 — — 17,33,333 86,66,667	19,55,000 — — — — 73,66,000
	GRAND TOTAL .		12,491	1,35,33,333		
			110,164	9,46,66,646	4,57,37,000	

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- \*Note (1) These Vessels, even though licenced for employment in the coastal trade are employed in the islands of Goa Trade. The licences granted for these vessels were therefore subsequently cancelled.
- (2) The above statement does not include the vessels m.v. Jal Azad and m.v. Jal Jawahar (renamed State of Bombay and State of Madras) which were sold by Scindias to the Eastern Shipping Corporation as these vessels were on the Indian Register. Government advanced a loan of Rs. 162.50 lakhs (being 75% of the cost price) to the Corporation for the purchase of these vessels.

## APPENDIX VIII

### *A Brief Financial Review of Indian Shipping Companies*

(Based on the figures published by the Reserve Bank of India in their Bulletin of January, 1957)

The Reconstruction Policy sub-Committee, 1945, defined the term 'Indian Shipping' as 'Shipping owned, controlled and managed by the nationals of India'. The Government of India agreed that the definition was an ideal one to be the ultimate objective of Government; but looking to the fact that its rigid application would exclude some of the most important shipping companies in India, simply because an insignificant proportion of their shares was held by non-Indians, and also due to the necessity of enlisting non-Indians' managerial or technical assistance, they adopted the following criteria\* to be satisfied by companies to qualify them for treatment as 'Indian Shipping' Companies :

- (a) The steamers of the Companies should be registered at a port or ports in British India; provided that where Government are satisfied that any Company is prevented from complying with this condition by circumstances beyond its control, it may be modified suitably.
- (b) at least, 75% of the shares and debentures of the Companies should be held by Indians in their own rights;
- (c) all the Directors should be Indians;
- (d) the Managing Agents, if any, should be Indians.

There are, at present, about 28† privately owned Shipping Companies in India as per list enclosed in Annexure A amongst which the following are more prominent;

- i) The Scindia Steam Navigation Company, Ltd., Bombay.
- ii) The Bombay Steam Navigation Company Ltd., Bombay.
- iii) The India Steamship Co. Ltd., Calcutta.
- iv) The Great Eastern Shipping Co. Ltd., Bombay.
- v) The Bharat Line Ltd., Bombay.
- vi) The National Steampship Co. Ltd., Bombay.
- vii) The New Dholera Steamships Ltd., Bombay.
- viii) The Malabar Steamship Co. Ltd., Bombay.

Some working details about prominent Shipping Companies are given in Annexure B.

\*Government of India late Department of Commerce, Resolution No. 172-M.I(25)/47, dated 12-7-1947.

†Do not include Shipping Corporations owned by Government viz. (1) The Eastern Shipping Corporation (2) The Western Shipping Corporation.

### *Income and Expenditure*

The total income of the Indian Shipping Companies, mainly consisting of freight and passenger earnings rose from 23.9 crores in 1951 to 24.5 crores in 1952. It dropped to 20.9 crores in 1953, owing to post-Korean recession, but rose to 22.1 crores in 1954. Correspondingly, operating expenses rose from 12.4 crores in 1951 to 13.6 crores in 1952. The expenses dropped to 12.3 crores in 1953, but again rose to 13.8 crores in 1954.

Earnings were less by 7% in 1954 than in 1951; while operating expenses were more by 11% in 1954 than in 1951. As regards the other expenditure items, salaries and wages have continuously declined from 3.7 crores in 1951 to 3.0 crores in 1953; but have slightly risen to 3.1 crores in 1954.

### *Managing Agents' Allowances and Remuneration*

The Reserve Bank of India has observed that Managing Agents' remuneration was relatively high in cotton textiles, jute and chemical industries, coal mines and shipping companies, where it exceeded 20% of profits and was even larger than retained profits\*. The following table compares the figures of Managing Agents' remuneration to profits earned by the shipping companies during the years 1951—54.

#### *Profit and Managing Agents Remuneration :*

	Rs. in lakhs				
	1951	1952	1953	1954	Total
1. Managing Agents remuneration . . . .	47	51	31	22	151
2. Taxation . . . .	37	40	51	15	143
3. Distributed Profits . . . .	65	81	48	40	234
4. Retained Profits . . . .	185	127	5	21	388
<b>TOTAL</b>	<b>334</b>	<b>299</b>	<b>135</b>	<b>98</b>	<b>866</b>
1. as percentage of total . . . .	14%	17%	23%	23%	17%
2. -do- . . . .	11%	13%	38%	15%	17%
3. -do- . . . .	20%	27%	35%	40%	27%
4. -do- . . . .	55%	43%	4%	22%	39%

Both the items of Managing Agents' remuneration and Distributed Profits, expressed as percentages of profits†, have maintained a steady rise even against declining amounts of profits. As a result, the retained profits have experienced large fluctuations both in amount and as proportion to profits.

Further as compared to other industries in India, constituted as they are, the percentage of dividends to profits after tax for the five year period as a whole, varies from a low of 40.8 in the case of shipping industry to 127.0 in case of chemical industry. Correspondingly, the percentage of retained profits after tax for the same period stands the highest of 59.2% in case of shipping industry.

\* "Finances of Indian Joint Stock Companies 1950-54" Reserve Bank of India Bulletin—January 1957.

† Including Taxation and Managing Agents' remuneration.

### Dividend Rates

In case of ordinary shares of shipping industry the dividend rate rose from 0.8% in 1950 to 5.2% in 1952 and declined to 1.9% in 1954. As against an average rate of dividend of 7.8% declared by the Indian industries during the period 1950-54, the shipping industry declared 2.6%. This indicates that the financial position of Indian Shipping Companies, cannot be regarded as satisfactory when compared to other Indian industries. The following table gives the comparative figures of dividends declared by the Shipping industry against the Indian industries:

	1950	1951	1952	1953	1954	Average
<i>Ordinary Shares</i>						
Shipping industry	0.8	3.9	5.2	2.4	1.9	2.6
Indian industries	7.5	8.2	7.2	7.5	8.3	7.8
<i>Preference Shares</i>						
Shipping industry	2.0	9.4	5.1	5.3	5.4	5.5
Indian industries.	4.7	5.2	5.1	5.1	5.1	5.0

### Profits after Tax as percentage of Net worth

A more appropriate index of profitability, than the rate of dividend is the ratio of profits after tax (*i.e.* dividends plus transfers to reserve\*) to net worth (*i.e.* paid up capital plus reserves\*). The following table gives the indices of profitability of the shipping industry during the years 1950-54 against the corresponding average figure of the Indian industries†

	1950	1951	1952	1953	1954	Average
Shipping industries	1.7	9.9	7.9	1.9	2.0	4.6
Indian industries	7.7	9.6	5.6	6.8	7.8	7.5

The higher figures during 1951 and 1952 in respect of shipping industry are mainly due to larger amounts of profits retained during those two years.

### Gross profits‡ as percentage of total capital employed and gross earnings.

The following table gives figures of gross profits as percentages of total capital employed and gross earnings:

	1950	1951	1952	1953	1954	Average
Gross profits as percentage of total capital employed by shipping industry . . .	2.5	8.2	7.4	3.5	2.5	4.7
Gross profits as percentage of total capital employed by Indian industries . . .	9.0	10.6	7.6	8.4	9.1	8.9
Gross profits as percentage of gross earnings of shipping industry . . .	5.0	15.5	13.7	7.9	6.2	9.9
Gross profits as percentage of gross sales of Indian industries	9.5	9.6	7.1	8.8	9.6	8.9

\*Excluding depreciation and taxation reserves.

†"Finances of Indian Joint Stock Companies 1950-54"—Reserve Bank of India Bulletin—January, 1957.

‡Including Managing Agents' remuneration, interest charges and provision for tax, but excluding depreciation.

The above figures show that in case of shipping industry, the figures of percentages have continuously decreased after reaching their peak in the year 1951; while in case of Indian industries, the decrease in percentages is marked only during the year 1952 due to post-Korean recession, after which the percentages have risen steadily.

In case of shipping industry, while the total capital employed has increased from 45.32 crores in 1951 to 55.16 crores in 1954, i.e., an increase of nearly 21%, the gross profits have declined by nearly 29% during that period. Consequent to this, the figures of percentages of gross profits to capital employed have decreased continuously from 1951 to 1954.

As regards the figures of percentages of gross profits to gross earnings, similar reasons hold good for explaining the decrease from 1951 to 1954. Although, gross earnings decreased from 25.12 crores in 1952 to 21.45 crores in 1953 and recovered to 22.84 crores in 1954, there was a general decrease of about 7% in the gross earnings during the years 1951-54. Correspondingly, the gross profits decreased by nearly 29% and hence the figures of percentages of gross profits to gross earnings have decreased continuously from 1951 to 1954.

#### *Sources and Uses of Funds during 1951-54 :*

As regards sources of funds during the four year period as a whole paid up capital accounted for Rs. 3.35 crores\* out of Rs. 19.59 crores of total resources of the Indian Shipping Companies. The amount of paid up capital in shipping industry comprised nearly 16.2% of the total amount of paid up capital formed during that period of all the Indian industries combined. As regards other sources of funds, Rs. 4.63 crores accounted for depreciation reserves, Rs. 5.16 crores from borrowings, Rs. 0.36 crore as taxation reserves and Rs. 6.23 crores as Reserves.†

As regards the uses of funds during the four year period as a whole Rs. 16.58 crores were utilised in increasing gross fixed assets, by the Indian Shipping Companies.

#### *Assets and Liabilities*

The total gross assets of the Indian Shipping Companies in the year 1954, amounted to Rs. 68.85 crores of which more than two thirds (Rs. 47 crores) was in the form of gross fixed assets. Out of this, the shipping fleet accounted for Rs. 46 crores.

Out of the remaining assets, 11% (Rs. 7.69 crores) constituted investments ; being Rs. 5 crores in Government securities and Rs. 2.68 crores in industrial securities and nearly 6% each of receivables and cash.

As regards Capital and Liabilities, the amounts of paid up capital (Rs. 20.61 crores) and reserves (Rs. 9.60 crores) together, constituted more than two-fifths of the total liabilities of the Indian Shipping Companies, while borrowings at Rs. 14.54 crores constituted more than one-fifth of the total gross liabilities. Paid up capital and reserves comprised 29% and 14% respectively of the total gross liabilities. Borrowings consisted mainly of mortgages and debentures which were responsible for 13% and 6% respectively of the total gross liabilities. Depreciation and taxation reserves constituted nearly 20% and 3% respectively of the total gross liabilities. Detailed figures of income and expenditure, assets and liabilities are given in Annexures 'C' and 'D'.

\*excludes Reserves capitalised during the period.

†includes Reserves capitalised during the period.

## ANNEXURE A

### *List of Indian Shipping Companies and Shipowners*

1. Messrs. Scindia Steam Navigation Co. Ltd., Bombay.
2. Messrs. Bharat Line Ltd., Bombay.
3. Messrs. Great Eastern Shipping Company Ltd., Bombay.
4. Messrs. Ambica Steam Navigation Co. Ltd., Bombay.
5. Messrs. Malabar Steamship Co. Ltd., Bombay.
6. Messrs. New Dholera Steamships Ltd., Bombay.
7. Messrs. National Steamships Ltd., Bombay.
8. Messrs. Merchant Steam Navigation Company Ltd., Bombay.
9. Messrs. Africana Company Ltd., Bombay.
10. Messrs. Chandbali Steamer Service Company, Ltd., Calcutta.
11. Messrs. South East Asia Shipping Co. Ltd., Bombay.
12. Messrs. Indian National Steamship Co. Ltd., Calcutta.
13. Messrs. Kirti Sand Producing Company Ltd., Bombay.
14. Messrs. United Shippers Ltd., Bombay.
15. Messrs. Indian Steamship Company, Ltd.
16. Messrs. Hindustan Shipping Co. Ltd.
17. Messrs. Akooji Jadwat and Co. Ltd.
18. Messrs. Bruton (Engg.) Ltd.
19. Messrs. Gill Amin and Co. Ltd.
20. Messrs. Asiatic Steamship Co. Ltd.
21. Messrs. P. C. Ray & Co. Ltd.
22. Messrs. Palav & Co.
23. Messrs. Rashmikant & Co.
24. Messrs. Ambassador Steamship Co. Ltd.
25. Messrs. Shaparia Dock Co. Ltd.
26. Messrs. Meridian Steamship Co. Ltd.
27. Messrs. Bhogilal Muljibhai.
28. Messrs. Thankers Ltd.

### *Shipping Corporations in public sector*

1. The Eastern Shipping Corporation.
2. The Western Shipping Corporation.

**ANNEXUS B**

Statement showing Particulars in regard to Paid-up Capital etc. of the more important Indian Shipping Companies as at the end of the Year 1954-55

Name of the Company	Authorised Capital Rs.	C A P I T A L		Amount borrowed From Govt.	Amount borrowed From Other sources.	Particulars of owned ships		Cargo carried No. of Cargo Passenger Trunks Cargo	Particulars of ships under construction		Freight Earnings		Remarks	
		Paid up Rs.	Nature of Reserves			G.K.T.	D.W.T.		D.W.T.	Abroad	G.R.T.	India		
Sindia Steam Nav. Co. (30-4-55)	9,46,00,000	9,46,20,000	General Reserve	8,00,000	2,04,84,000	4,26,18,000	35 Cargo 5 Pass/Cum/ Cargo	1,91,745 10,977	Information being obtained from Shipping Company		8	51,398	5	23,002,447,17,000 54,83,000 3,82,72,000 1,5,000
			Fleet Replacement Reserve	1,11,50,000										
			Depreciation A/c.	2,59,75,000										
			Development Reserve	4,34,44,000										
			Investment Reserve	11,00,000										
			Debenture Sinking Fund	46,02,000										
			Other Reserves	71,93,000										
				30,32,000										
Bombay Steam Nav. Co. (1953) I.d. (30-4-55)	2,00,00,000	30,00,000	Fleet Replacement A/c.	2,00,000		46,36,000	6 Passenger	4,754	-do-	1	2,671		53,71,000*	
			Capital Reserve	1,650										
			Depreciation A/c.	11,06,000										
Indian Steamship Co. Ltd. Calcutta (31-3-55)	3,00,00,000	2,50,00,000	General Reserve	50,00,000	2,93,06,000		11 Cargo	75,417	-do-	2	19,550	1	3,000	25,45,700 .. 37,53,44,000
			Defd. Tax. Reserve	6,51,000										
Eastern Shipping Corporation Ltd. (31-3-55)	10,00,00,000	5,50,00,000	Capital Reserve	2,95,000										
			Fleet Repairs Reserve	7,59,000										
			Fleet Replacement Reserve	2,00,000	1,62,50,000		4 Cargo	25,196	-do-					
			Dividend Equalisation Reserve	3,00,000			2 Passages/ Cum/Cargo	17,101	-do-					
			Depreciation Reserve	41,34,000										
			Defd. Tax. Reserve	9,57,000										
			Investment Reserve	1,14,600										
Great Eastern Shipping Co. (30-4-55)	1,00,00,000	50,37,000	General Reserve	14,00,000										
			Capital Reserve	42,000										
			Fleet Replacement Reserve	8,94,000	67,99,000		7 Cargo	49,292						
			Fleet Depen. Fund	81,90,000										
			Provision for Taxation	77,40,000										

\* Includes  
Parcel  
Luggage  
earnings.

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C A P I T A L			Particulars of Reserves			Amount borrowed			Particulars of owned ships			Cargo Carried			Particulars of ships under construction			Freight Earnings			
Name of the Company	Authorised Rs.	Paid up Rs.	Nature of Reserves	Amount Rs.	From Govt.	Other sources	No. Cargo/ Passenger Tanks	G.R.T.	D.W.T.	Coastal	Overseas D.W.T. ships	Adjacent D.W.T.	No. of G.R.T.	No. of D.W.T. ships	India	Coastal	Overseas Coastal	Freight Passage	Freight Passage	Overseas Passage	Remark
Malabar Steamship Co. (31-3-55)	80,00,000	20,60,000	Capital Reserve	10,00,000	85,000	36,90,000	3,18,000	3 Cargo	11,173	Not available. In- formation being obtained from shipping company.	..	..	..	..	41,59,000	..	94,000	..	..	..	
The New Dhlera Steamship Co. (31-3-55)	10,00,000	9,22,500	Reserve Fund	2,46,000	27,60,000	36,75,000	4,26,000	2 Cargo	7,344	-dn-	..	..	..	..	39,20,000	..	..	..	..	..	
National Steamship Co. (31-3-55)	10,00,000	2,00,250	Reserve for Depreciation	3,35,000	16,84,000	34,633	2 Cargo	2,957	-dn-	..	..	..	..	..	15,12,000	..	1,20,000	..	..	..	
Bharat Line Ltd. Rembey	3,00,00,000	1,00,00,000	Fleet Replacement A/C, Depreciation A/C	1,52,8,000 1,8,1,16,000	99,000 1,36,73,000	25,72,000	14	Cargo	64,516	-dn-	..	..	..	..	2,13,71,000	..	16,95,000	..	..	..	

**ANNEXURE C**

*Statement showing the Income and Expenditure of Indian Shipping Companies.*

Lakhs of Rs.

	1951	1952	1953	1954
<b>Expenditure and Appropriations</b>				
1. Opening stock of Finished goods and work-in-progress . . . . .	..	..	..	..
2. Manufacturing expenses . . . . .	12,35†	13,56†	12,31†	13,78†
3. Salaries and wages . . . . .	3,67	3,56	3,02	3,06
4. Interest Paid . . . . .	37	37	29	37
5. Managing Agency Commission . . . . .	47	51	31	22
6. Bad Debts . . . . .	..	..	—I	..
7. Other expenses . . . . .	2,97	2,68	2,51	2,68
8. Depreciation provision . . . . .	1,82	1,95	1,96	1,95
9. Tax provision . . . . .	37	40	51	15
10. Transfer to Reserves . . . . .	57	1,29	6	22
11. Dividend on :				
(a) Ordinary shares . . . . .	60	79	46	38
(b) Preference shares . . . . .	5	2	2	2
(c) Deferred shares . . . . .	..	..	..	..
12. Profit carried to balance sheet . . . . .	1,28	—2	—I	—I
TOTAL . . . . .	<u>24,52</u>	<u>25,12</u>	<u>21,45</u>	<u>22,84</u>
<i>Income :</i>				
1. Sales* . . . . .	23,90	24,51	20,87	22,13
2. Other Income . . . . .	62	61	58	71
3. Closing stock of Finished goods and work-in-progress . . . . .	..	..	..	..
TOTAL . . . . .	<u>24,52</u>	<u>25,12</u>	<u>21,45</u>	<u>22,84</u>

\*The main income is shown under this head.

†Operating expenses.

ANNEXURE D

*Statement showing the Capital and Liabilities and Assets of Indian Shipping Companies\**

Lakhs of Rs.

		1951	1952	1953	1954
<i>A. Capital and Liabilities</i>					
<i>Capital</i>					
1. Subscribed Paid-up	.	16,02	15,67	20,62	20,62
2. Ordinary	.	15,32	15,27	18,97	20,22
3. Preference	.	53	39	39	39
4. Deferred	.	..	..	..	..
TOTAL	.	<u>15,85</u>	<u>15,66</u>	<u>19,36</u>	<u>20,61</u>
<i>Reserves</i>					
5. General	.	2,29	2,49	2,56	2,68
6. Taxation	.	1,14	1,19	2,37	2,06
7. Development	.	2,83	2,53	2,89	3,18
8. Others	.	3,96	5,69	3,65	3,65
<i>Borrowings</i>					
9. From Banks	.	9	8	9	25
10. Mortgages	.	33	82	3,45	9,18
11. Debentures	.	7,25	4,50	4,39	4,27
12. Due to trade	.	56	33	30	32
13. Others	.	66	51	56	52
<i>Other Liabilities</i>					
14. Current	.	7,00	8,14	6,01	6,09
15. Non-current	.	3,22	3,22	2,25	2,25
16. Balance of profit	.	13	10	10	9
GRAND TOTAL	.	<u>45,32</u>	<u>45,24</u>	<u>47,98</u>	<u>55,16</u>

\*Data for 1951 relate to 11 companies of which 2 were merged together in 1952.

*\*B. Assets**Fixed Assets*

1. Land	.	.	.	.	.	..	..	..
2. Buildings	.	.	.	.	32	53	45	66
3. Plant and Machinery	.	.	.	.	29,56†	32,93†	34,68†	40,00†
4. Others	.	.	.	.	24	33	32	35
TOTAL (Gross)	.	.	.	.	30,12	33,79	35,45	47,01
Less Depreciation	.	.	.	.	9,67	11,30	11,95	13,69
5. Net Fixed Assets	.	.	.	.	20,45	22,48	23,49	33,32

*Stock and Stores*

6. Raw Materials	.	.	.	.	..	..	..	..
7. Finished goods and work-in-progress	.	.	.	.	..	..	..	..
8. Stores	.	.	.	.	71	71	47	48
9. Others	.	.	.	.	1	5	..	..
TOTAL	.	.	.	.	72	76	47	48

*Receivables*

10. Book debts	.	.	.	.	4,67	2,00	1,75	1,58
11. Advance against goods	.	.	.	.	2	..	..	..
12. Others	.	.	.	.	83	2,22	2,94	2,45
TOTAL	.	.	.	.	5,52	4,22	4,69	4,03

*Investments*

13. Government Securities	.	.	.	.	3,07	4,67	5,02	5,00
14. Semi-Government Securities	.	.	.	.	8	7	1	1
15. Industrial Securities	.	.	.	.	81	84	2,66	2,68
TOTAL	.	.	.	.	3,96	5,58	7,69	7,69
16. (a) Advance of Income-tax	.	.	.	.	32	50	58	39
(b) E.P.T. Deposits	.	.	.	.	26	25	22	20

*Other Assets*

17. Current	.	.	.	.	1,52	1,45	2,08	1,86
18. Non-current	.	.	.	.	3,71	4,20	2,22	2,22
19. Intangible	.	.	.	.	35	27	27	25
20. Cash	.	.	.	.	8,51	5,52	6,28	4,72
GRAND TOTAL	.	.	.	.	45,32	45,24	47,98	55,16

\*Data for 1951 relate to 11 companies of which 2 were merged together in 1952.  
†Fleet.

## APPENDIX IX

### *Statement showing the summary of conclusions/recommendations*

S. No.	Reference to Para No.	Summary of conclusions/recommendations
1	2	3
1	27	It is rather unfortunate that the targets indicated by the Reconstruction Policy sub-committee, though accepted in principle, are yet far from realisation.
2	39 & 40	Some doubts have been expressed about accuracy of figures of tonnage available at the end of the First Plan period as published by the Planning Commission in their publication "Second Five Year Plan". In this connection, attention may be drawn to the observations of Shri M. A. Master in his article published in the May 1956 issue of "Transport" Bombay. The Committee suggest that the figures of tonnage given by Shri M. A. Master should be examined by the Ministry and the official figures corrected, if found necessary.
3	42	According to Shri M. A. Master it is very likely that we may have to carry a further 3 to 3.5 million tons of cargo either as a result of industrialisation of the country or as a result of the recommendations of the Rail-cum-Sea Co-ordination Committee or for easing the strain on the carrying capacity of the Railways. Thus Indian Shipping may have to carry about 7.5 to 8.5 million tons of cargo round the coasts. The Committee understand that about 5 million tons of dry cargo could be carried by 4,00,000 G.R.T., but if the quantity of cargo to be carried exceeds beyond the limit of 5 million tons, as it is likely to, it would create a gap and it will not be possible to carry 100% coastal trade.
4	43	The present quantum of foreign trade is about 17.5 to 18 million tons. Out of this quantity, the Committee understand that roughly 2 million tons of cargo could be handled by the Plan target of 4,65,000 G. R. T. which works out to 12.5% of the total overseas trade. In the course of next five years, the volume of traffic may increase and in that case the percentage might fall further.

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- 5      44      The Committee were informed that India was carrying about 35% of the adjacent trade at present, which might go up-to 40% at the end of the Second Five Year Plan, if the quantum of trade were to remain stationary.
- 6      45      In the absence of authoritative estimates about the anticipated increase in cargo, both in coastal and overseas trade, at the end of the Second Five Year Plan, it is difficult for the Committee to express an opinion on the adequacy of the targets laid down in the Plan. From the evidence given by non-official witnesses, however, the Committee are inclined to believe that the objectives set forth in the Second Plan for 100% participation in the coastal trade, 12 to 15% in the overseas trade and 50% in the adjacent trade at the end of the Plan, are not likely to be achieved even if the planned increase in the gross tonnage of Indian Shipping materialises. The Committee suggest that position may be carefully re-assessed and this apparent discrepancy in the volume of traffic to be carried and the shipping tonnage to be achieved at the end of the Second Plan period should be reconciled. If the objective of 100% participation in the coastal trade, 50% in adjacent trade and 12 to 15% in the overseas trade is achieved by the end of the Second Plan, it will undoubtedly be a good performance.
- 7      50      The Committee quite appreciate the decision of the Ministry of Transport in placing 'new building' orders in the Continental yards and purchasing a tanker, even to the extent of exhausting the entire amount provided by the Planning Commission in the Second Five Year Plan in the first year of the Plan itself.
- 8      52      The Committee recommend that the Ministry should take effective steps to secure the requisite funds from the Planning Commission without which it would not be possible to procure any tonnage even in the third plan and the industry will have to face the same situation which it is facing now due to uncertainty of securing fixed time schedule of delivery and the upward trends in the present market.
- 9      55      The Committee could not obtain any statistical data relating to foreign exchange, which the country
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- had to release on her overseas trade, as the information was not available with the Ministry of Transport. The Committee were informed that this information was not available even with the Reserve Bank of India.
- 10 57 Government had to pay more than Rs. 96 crores as freight to foreign vessels for import of food grains on Government account during 1950 to 1955. This heavy drain on country's limited resources of foreign exchange brings out the pressing need of increasing the tonnage of Indian Shipping at a more rapid pace.
- 11 65 India's balance of payments position is worsening every year due to large imports of industrial machinery and capital goods. We have not only to step up our exports, but also devise ways and means of augmenting our foreign earnings. It is in this context again that the committee would recommend the need of assigning a higher priority to the development of the shipping industry as a resourceful potential instrument of earning foreign exchange.
- 12 66 The Committee understand that negotiations were under way for securing suitable loan assistance from the World Bank. They hope that the Government of India will succeed in securing at-least the minimum amount of loan assistance required for the essential development of the shipping industry in India.
- 13 67 In case the Government of India are unable to secure the necessary amount from the World Bank, the Committee would suggest negotiations with Exchange Banks in other maritime countries for raising long term loans.
- 14 68 The Committee suggest that the feasibility of getting a few ships from the reserve fleet of the U. S. A. against a long term loan may also be investigated. The representatives of the Shipowners may also be consulted in the matter because of their specialised knowledge of the industry.
- 15 90 The Committee observe that the Indian Shipping Companies have preferred to meet 33% of the total cost of new ships from abroad, 88% of the total cost of ships constructed by the Hindustan Shipyard Ltd., Visakhapatnam and 50% of the total cost of second-hand ships from their own resources.

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16	93	Rapid expansion of Indian Shipping should be regarded as a national problem of great importance and urgency. In regard to the Rules governing the grant of loans to Shipping Companies, the Committee recommend that the suggestions of the Indian National Steamship Owner's Association should be considered sympathetically by Government and every encouragement given to the Shipping Industry.
17	94	One suggestion made was that instead of insisting on the repayment of loans given to Shipping Companies in the First Plan, they may be permitted to utilise the amount due for repayment for bringing more ships and continue to pay interest as before. The suggestion may be carefully examined.
18	95	The Committee further recommend that the feasibility of creating an Indian Shipping Development Fund with sufficient capital reserve should be carefully examined.
19	96	The Committee would like the Government to examine the suggestion made by Shri C. H. Bhabha in his article "Finance for expansion of Indian Shipping", published in "Transport" annual of October 1956, given in para 96.
20	100	The Committee feel that India is geographically situated in a Central position in Asia and is destined to play an important role in international affairs, especially in the East. Apart from strategic importance, her ships will be the symbols of friendship and cultural ties that exist among the sister nations of Asia. It is, therefore, necessary to maintain the passenger and passenger-cum-cargo services on routes like India/Burma, India/Red Sea Ports and Persian Gulf, India/East Africa etc. even though these services may have to be run at some financial loss in the initial stages.
21	102	Keeping in view the Industrial Policy Resolution, 1956, and the pressing need of developing Indian Shipping, the Committee suggest that the question of giving operational subsidy to avoid closing down of certain essential services may be reconsidered.

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- As the Government is indemnifying the Shipping Corporations in public sector against losses for a certain period subject to re-imbursement out of subsequent profits, similar facilities may be extended to the private sector also, where found necessary in the larger interest of Indian Shipping as a whole.
- 22 103/104 The Committee are not in a position to give an opinion on specific items such as the optional application of the accelerated depreciation allowances, exemption from Income Tax and Capital Gains Tax on proceeds from sale of ships if they are utilised for acquiring further tonnage, exemption from income-tax of profits ploughed back into the shipping industry, and exemption from customs duty and sales tax on ship's stores and bunkers. The Committee suggest that these representations may be examined sympathetically, keeping in view the assistance that is being given to the shipping industry by other countries.
- 23 105 Financial review of Indian Shipping Companies given in Appendix VIII indicates that the financial position of Indian Shipping Companies is not too satisfactory, and that they are striving hard to keep pace with the development of other Indian industries. There cannot be two opinions that there is a very urgent need of rapidly expanding Indian Shipping, and that this is a field where both private and public sectors can play a useful role without necessarily coming into conflict with each other. Shipping is as yet only an infant industry so far as its future expansion is concerned. All reasonable facilities should, therefore, be given to this industry at the present developmental stage.
- 24 107 Revitalisation of the ship-building industry is one of the important aspects of the all round development of the country in various spheres.
- 25 121/122 The Committee are glad to note that the standardised designs have been evolved, suited to the requirements of trade in India. The Committee are, however, of the opinion that one more design of a smaller ship of 2500 to 4000 tonnage should be evolved for coastal shipping.
- 26 126 The Committee would like the Ministry to accelerate the pace of training of both supervisory and skilled personnel so as to facilitate the execution of the Second Shipyard at an early date.
- 27 129 It would be necessary to plan for the realisation of the target of 2 million tons, as suggested by the

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		Shipping Policy sub-Committee, at least by the end of the Third Plan.
28	132	As regards the anticipated shortage of steel, the Committee hope that the position would not be as difficult as it is today by the time the Second Shipyard goes into production. The Committee also suggest that a tentative decision to have a third ship building yard in the earlier period of the Third Plan should also be taken at an early date.
29	135	The Committee hope that the project for establishing a factory for manufacturing propelling machinery for ships in the public sector would be finalised without undue delay.
30	140	The Committee are of the opinion that the smaller ships have an important role to play in our coastal trade. The Committee, therefore, recommend that the Ministry should encourage the available building capacity of smaller vessels in the country. For achieving this purpose, the Ministry should set apart a certain amount of loan assistance which could be utilised by established Indian Shipping Companies or even new companies in the field who are desirous of going in for indigenously built smaller ships. The efforts made by the Railway Equipment Committee in securing and developing the indigenous capacity for wagon building is well known. The Committee suggest that a similar Committee may be appointed for securing and developing indigenous capacity for building small ships of 2500 to 4000 tons. The feasibility of limiting coastal trade exclusively for these small ships should also be carefully examined. If the indigenous capacity for building small ships is properly tapped and firm orders for building small ships over a long period are placed, the Committee have no doubt that the tonnage of Indian Shipping can be substantially augmented.
31	152	The Committee feel that the problem of evolving a balanced pattern of trade at intermediate and minor ports on the vast coastline of India, requires a well co-ordinated and integrated plan. The Committee hope that such a plan will be evolved by the Rail-cum-Sea Co-ordination Committee. It is unfortunate that no representative of the Shipping interests which are vitally concerned in the matter was included in this Committee.

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- 32 155 The Committee feel that the policy of allowing chartering of vessels for coastal trade is not in keeping with the policy of 100% reservation of coastal trade for Indian Shipping Companies and as such the Committee hope that in future such relaxation in the use of chartered vessels for normal trade purposes on the coast will be avoided, as far as possible.
- 33 156 The Committee further recommend that the Ministry should also enforce gradual reservation of coastal trade in wet cargo for Indian Shipping Companies until foreign participation is completely eliminated as the 100% reservation of coastal trade for Indian Shipping Companies will be achieved only when the entire cargo on the coast in both dry and wet is lifted by Indian Shipping Companies.
- 34 159 The Committee feel that there is a great scope of developing passenger traffic on coastal and adjacent services, provided the existing standard of passenger amenities is improved and regularity of services ensured. There is also need for adequate publicity on proper lines to Marine passenger services which would create a lure for sea travel in the people.
- 35 160 The Committee recommend that both the Ministry and the Shipping Companies, should launch a vigorous publicity drive in India and in adjacent countries served by Indian Shipping services.
- 36 162 The Committee consider it rather unfortunate that vital statistics regarding the quantity of cargo carried by foreign Shipping Companies in adjacent trades from the year 1953 onwards, having a direct bearing on the trade and commerce of the country should not be available with the Ministry of Transport.
- 37 163 The Committee hope that the Trade Agreement with Burma and Pakistan, signed recently, will help to improve the quantum of adjacent trade which has declined. The Committee note that Article VIII of the Trade Agreement with Burma dealt with shipping interest of both countries whereas no Article to that effect has been incorporated in the Agreement with Pakistan. The Committee
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		suggest that a similar Article may be incorporated in future Trade Agreements with foreign countries, if possible.
38	168	The Committee suggest that the question of acquiring more tankers in the private and/or public sector should be given serious consideration.
39	170/171	The Committee were informed that figures in respect of overseas trade carried on by foreign shipping companies and that of imports on Government account were not readily available. The Committee suggest that Government should take steps to maintain such vital statistics.
40	179	The Committee suggest that the Ministry of Transport should examine the question of participation of Indian flag, in India/U.S.A. service in consultation with the representatives of the Indian Shipping Companies and devise ways and means which would enable either the private or the public sector to participate in that important trade.
41	181	The Committee believe that Govt. cargoes form a good percentage of India's total overseas imports and hence steps should be taken to carry them in Indian vessels as far as possible. Further the Committee are in agreement with the recommendations of the Stores Purchase Committee referred to in para 181 of this Report.