

COMMITTEE ON PUBLIC UNDERTAKINGS (1967-68)

EIGHTEENTH REPORT

(FOURTH LOK SABHA)

**Action taken by Government on the Recommendations
contained in the Third Report of the Com-
mittee on Public Undertakings
(Third Lok Sabha)**

**SHIPPING CORPORATION OF INDIA LTD.
(MINISTRY OF TRANSPORT & SHIPPING)**



**LOK SABHA SECRETARIAT
NEW DELHI**

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1967-68)

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SECRETARIAT

Shri A. L. Rai—*Deputy Secretary.*

Shri M. M. Mathur—*Under Secretary.*

*Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha on 2.4.1968.

INTRODUCTION

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

2. The Third Report of the Committee was presented to the Lok Sabha on the 9th April, 1965. The replies of Government to the recommendations contained in the Report were, however, received on the 29th September, 1967.

3. The Committee considered the replies on the 18th April, 1968 and approved the draft Report on the same day.

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

I. Report.

II. Recommendations that have been accepted by Government.

III. Recommendations which the Committee do not desire to pursue in view of Government's reply.

IV. Recommendations in respect of which the reply of Government has not been accepted by the Committee.

5. An analysis of the action taken by Government on the recommendations contained in the Third Report of the Committee on Public Undertakings (Third Lok Sabha) is given in Appendix I. It would be observed therefrom that out of the 43 recommendations contained in the Report, 55.81 per cent have been accepted by Government and the Committee do not desire to pursue 41.86 per cent of the recommendations in view of Government's replies. The reply of Government in respect of 2.33 per cent of the recommendations has not been accepted by the Committee.

NEW DELHI;
April 25, 1968.

Vaisakha 5, 1890. (S).

D. N. TIWARY,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

REPAIRS TO "DESH SEVAK"

Recommendation Sl. No. 39 (para 135)

At the time of evidence, the representative of the Ministry informed the Committee that the Garden Reach Workshop, Calcutta and the Mazagaon Dock, Bombay, took two months' time to inform the Corporation of their inability to carry out repairs to the tanker 'Desh Sevak'.

2. The Committee took a serious view of the fact that two months' time was taken by the repairing firms to give a reply. They felt that this was a fit case for Government to examine and fix responsibility for the delay. It was also suggested to the Government that suitable instructions should be issued to avoid such delays in future.

3. In reply, Government stated that only ten days time was taken in entire process of conducting drill tests, general examination etc., in consultation with the repairing firms in arriving at the decision to send the tanker to the Taikoo Dockyard for repairs.

4. The Committee, at their sitting held on the 30th January, 1968, considered the reply of the Government and desired that the different statements with regard to the time involved be got reconciled by Government.

5. In their further reply government have now stated that "the representative of the Ministry might perhaps have been referring to the total time the ship was in the Docks, when he informed the Committee that two months' time had been taken and not to the time taken by the Workshops in giving a reply."

6. The statement made by the representative of the Ministry before the Committee was however, categorical and does not lend itself to the interpretation now sought to be given. It should be ensured that greater caution is exercised by officials while making statements before the Committee in future.

7. A perusal of the replies furnished by Government reveals that out of the 24 recommendations accepted by them, in *four cases they have only made a 'note' of the recommendations. Further, no indication has been given as to whether any action on the recommendations accepted by them, has been initiated. The Committee would like to stress that in future, Government should invariably indicate the precise action taken and the date when such action was initiated in all cases.

*Si. Nos. 8, 10, 19 and 43.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 7)

The operation of less remunerative services should be undertaken only on specified directives from Government and not by the Corporation on its own. Where such activities are undertaken in public interest, the Corporation should give details in its annual report and accounts and their effect on its overall working. (Paragraph No. 32).

REPLY OF GOVERNMENT

The recommendation of the Committee has been noted. The question of issuing a directive and the basis on which losses are to be reimbursed in operating such services will be considered whenever it is proposed to ask the Shipping Corporation of India to take over any unremunerative routes.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Sl. No. 8)

The Committee do not consider the inability of the Corporation to carry the entire cargo offerings in the services between India and the countries with which bilateral Shipping agreements have entered into as an insurmountable difficulty. In fact when the Committee had discussion with the representatives of the Corporation at Bombay, they assured that the necessary tonnage could be arranged in fifteen days' time but the question was whether the Corporation should be given the monopoly in respect of trades arising out of bilateral agreements.

In the opinion of the Committee, there should be no objection to the Government allotting to the Corporation as many lucrative routes as lie within their power. In the past when relatively unremunerative routes like India-Australia and India-Japan were to be operated the Corporation was asked by Government to undertake their operation. Similarly, when private shipping companies, declined to lift coal on the cost, the Corporation was asked by Government to enter the coastal trade.

In future also, there may be occasions when the Corporation is required to operate less remunerative or even unprofitable routes in public interest. The Committee, therefore, recommended that new shipping services which are established as a result of bilateral shipping agreements should, as far as possible be entrusted to the Corporation to compensate it for operating less remunerative routes. (Paragraphs Nos. 35 & 36).

REPLY OF GOVERNMENT

The recommendation of the Committee is noted.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Sl. No. 10)

The collaboration arrangement with M/s. Scindia Steam Navigation Co. Ltd., proved to be a failure in that the erstwhile Eastern Shipping Corporation Ltd., had depended upon that company to provide the know-how, but there was no acquisition of extra tonnage during the period of collaboration. The Committee hope that Government would bear this instance in mind and take due precautions if in future they contemplate any collaboration arrangement with the private sector. (Paragraph No. 41).

REPLY OF GOVERNMENT

The recommendation of the Committee is noted.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Sl. No. 11)

The Committee consider that there is a case for reexamining the existing arrangements regarding the control and operation of the vessels plying between the mainland and Andaman and Nicobar Islands. At present only the operation of the vessels is looked after by the Corporation and the entire expenses incurred by it on this account are reimbursed by the Ministry of Home Affairs. Such an arrangement would leave little incentive to the Corporation to ensure whether the service is being run as efficiently and economically as it should. The Ministry of Home Affairs would also be concerned primarily with the control of operations and without sound knowledge of shipping industry and the economics of shipping service, they are not likely to be able to effectively supervise the operation of the service from the economic angle.

Presently the India-Andamans route is not remunerative. The Committee, however, feel that if the control of operation of this service, now vested in the Chief Commissioner, Andaman and Nicobar Islands, is transferred to the Corporation and it is asked to operate the service on its own account, it would be possible to show better working results without in any way affecting the administrative requirements of the Ministry of Home Affairs. If any loss is incurred on the financial results of the operation of the service it should be separately mentioned on the annual reports and Accounts of the Corporation.

. Complaints that are received from passengers on this route about the programme of sailings and booking of passengers by the Port Blair authorities. Since the Corporation possesses experience in the control and operation of passenger services on other routes, the Committee are sure that the arrangements suggested above would result in minimising complaints now received on the India-Andamans route. They recommend that the matter may be examined afresh in the light of the above comment and a decision taken early. (Paragraph No. 48 & 49).

REPLY OF GOVERNMENT

The question of reorganisation of Shipping services between mainland and the A&N Islands including inter-island service was examined by a Shipping Committee on Andaman and Nicobar Islands. As recommended by the Committee, the Government have decided that the complete operational control over these services may be transferred to the Shipping Corporation of India. It has also been decided that in future all ships to be acquired for these services should be owned by the Shipping Corporation.

In order to improve these services the Shipping Corporation of India have put on the service another second hand ship having large passenger accommodation to meet the growing demand of passages from the public. As a long term measure, the Government of India on the recommendations of the Shipping Committee has approved the acquisition of five new ships for these services and the Shipping Corporation of India are taking necessary steps for the acquisition of these ships. The question of reimbursement of operational losses to the Shipping Corporation consequent upon the transfer of control of these services is under examination of the Government.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39 (1)/65, dated the 29th September, 1967.]

Recommendation (Sl. No. 12)

The Committee consider that the Corporation is expected to function on commercial basis and it was not proper for it to have undertaken any activity at non-commercial rates on its own. If such a course was considered expedient in the interests of the country, the Corporation should have obtained a directive from Government. The Committee feel that this principle should be applied to all the public undertakings which operate on commercial basis. Firstly, they should not undertake any activities of a non-commercial nature unless there is a specific directive from Government. Secondly, whenever any such activity is undertaken as a result of a directive from Government, mention should be made about it in the annual report and accounts of the undertaking and also its effect on the overall working of the undertaking during the year so that a true picture of its working is available. The Committee recommend that suitable instructions may be issued by Government in this regard to all the undertakings. (Paragraph No. 52).

REPLY OF GOVERNMENT

The recommendations of the Committee is noted and suitable instructions have been issued to all the undertakings in this regard.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Sl. No. 13)

The Committee are surprised to note that during the four years of its existence, the Western Shipping Corporation Limited did not take action to implement the main objective with which it was formed, viz., specialising in tramp trade. This is despite the fact that the need for acquiring tramp tonnage was fully appreciated and reference was made to it by the Chairman of that Corporation in his address at the Third and Fourth Annual General Meetings (1958-59 and 1959-60).

The Shipping Corporation which was formed by the merger of the two Corporations, also did not undertake the tramp trade. The Committee feel that there is not sufficient justification for this. Since the need for entering the tramp trade was admitted as early as 1959-60, the starting of it should have been considered as one of the Corporation's foremost tasks. Even now the acquisition of bulk carriers to be operated on tramp basis is stated to be in the negotiation stage only. Thus valuable time has been lost by the Corporation in entering this trade. The Committee urge that early action should be taken to acquire the bulk carriers and to undertake carriage of bulk cargo.

There is a great scope for acquisition of a number of bulk carriers and the Corporation should draw up a phased programme for the acquisition of adequate number of bulk carriers so that it carries a reasonable portion of Indian Lines share of the country's bulk cargo. (Paragraphs No. 57—59).

Recommendation (Sl. No. 14)

Government's policy is stated to be in favour of encouraging Indian shipping companies to undertake carriage of bulk cargo. If this was so, the Corporation as a leading Indian Shipping Company, should have taken initiative in entering the trade much earlier. On the basis of the evidence tendered before them, the Committee feel that greater consideration was given to the fact that the trade was less remunerative rather than to the need for developing the bulk trade in the interest of Indian shipping. The Committee will strike a happy mean between the profitability and development aspects. (Para 61).

REPLY OF GOVERNMENT

The recommendations of the Committee are noted. The Corporation is aware of the importance of entering tramp trade including bulk carrier trade but they have not been able to enter these trades because of paucity of tonnage and the need to give first priority to liner trade. The Corporation, however, intends to participate in the tramp trade and bulk carrier trade fully. For this purpose, they have already ordered three bulk carriers of about 41,000 DWT and the vessels are scheduled to be delivered to the Corporation in 1968. Another three bulk carriers of about 65,000 DWT are proposed to be ordered shortly as a part of the expansion programme of the Shipping Corporation for the Fourth Plan. In addition, Corporation proposes to constitute a pool of 6 tramp vessels within the Fourth Plan period.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39 (1)/65, dated the 29th September, 1967.]

Recommendation (Sl. No. 15)

The problems relating to carriage of bulk cargo in Indian Ships have been examined in detail by a Sub-Committee of the Board of Trade. After considering the various aspects, that Sub-Committee recommended that initially the following two voyage patterns may be adopted:

- (a) full load of iron ore from India to Europe and ballast to USA East Coast—full load of grain from USA to India.

(b) full load of iron ore from India to Japan and return in ballast.

The Committee trust that while undertaking bulk cargo operations the findings of the above sub-Committee will be given careful consideration (Para 62).

REPLY OF GOVERNMENT

As recommended by the Committee, the findings of the Sub-Committee of the Board on Trade concerning bulk and cargo trade will be borne in mind when planning the employment of bulk carrier tonnage.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Sl. No. 16)

It is necessary to develop tramping in overseas trade routes for the carriage of tramp cargoes of the non-bulk type. The public sector should also have a fair share in carrying such cargoes. To enable the Corporation to formulate plans for undertaking the carriage of non-bulk tramp trade the Committee suggested that Government should formulate their policy early. (Para 64).

REPLY OF GOVERNMENT

The recommendation of the Committee is noted. The Shipping Corporation proposes to constitute a pool of 6 tramp vessels during the Fourth Plan period for carriage of tramp cargoes of non-bulk type e.g. fertilisers, rock phosphate, sulphur etc.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Sl. No. 17)

The Committee consider that in the initial stages it would not be economical to set up an independent organisation for undertaking the operation of non-bulk tramp trade alone. They feel that it would be of advantage to convert an existing concern into a subsidiary. Megul Line Ltd. being a running concern, could be suitably converted into a subsidiary of the Corporation. Moreover, its present size and operation are on a modest scale and admit of expansion. Another advantage in converting it into a subsidiary is that it will have the benefit of the experience and supervision of the Shipping Corporation (Para 66).

REPLY OF GOVERNMENT

The recommendation of the Committee regarding the conversion of the Mogul Line Limited into a subsidiary to the Shipping Corporation of India is under consideration.

So far the Shipping Corporation of India is concerned, it has already re-organised its set up and is now capable of expanding its activities in these diversified sectors and of managing and operating even a larger fleet than is envisaged at present.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Sl. No. 19)

The Committee have no information as to why the oil companies took the position that they preferred employment of Indian tankers, if they belonged to the private sector. They feel that Government should not have submitted to what amounted to dictation from the oil companies on this matter and revised their policy and allowed private shipping companies to obtain charter terms from the oil companies. The Committee desire that in such matters Government should adopt a firm stand with the oil companies so that they abide by the decisions taken in the interests of the country. (Para 74).

REPLY OF GOVERNMENT

The recommendation of the Committee is noted.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Sl. No. 21)

Since the Corporation's share in the country's coastal trade by the end of the Third Plan is expected to be low and since private shipping companies have shown reluctance to carry the cargo on the ground that the trade was not economical enough, the Committee feel that the Corporation should be ready to undertake the operation of coastal services at an increasing rate in the future. In view of this, the Committee recommend that the Corporation might examine the question of acquiring more vessels for transport of coastal cargo. (Para 83).

REPLY OF GOVERNMENT

The Shipping Corporation has already acquired 3 coastal vessels for the transport of bulk cargoes such as coal and salt and these are

now in operation. The Corporation is formulating proposals for acquiring some more vessels with a view to augmenting its coastal fleet.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Sl. No. 22)

Government have considered retired official as non-official. Apart from the fact that a retired official would have more time to devote to the affairs of the Corporation than a serving official, the Committee do not think that he would be able to bring in an approach radically different from that of official as could be expected of a non-official. The Committee therefore consider it desirable to associate a few prominent non-officials who have knowledge of the problems of shipping industry on the Board of Directors of the Corporation. Some of them might perhaps be selected from All India Organisations representing shippers. (Paragraph 86).

REPLY OF GOVERNMENT

Government have noted the recommendation of the Committee and will keep the same in view when making future appointments.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Sl. No. 23)

The Committee feel that the appointment of the Secretary of the administrative Ministry on the Board of Directors of an undertaking would result in two disadvantages. First, his presence in a meeting would hamper a free and frank discussion of the issues involved. This would be particularly so in the case of an Undertaking like the Shipping Corporation where the majority are serving officials and hold posts lower in status than the Secretary to the Ministry. Secondly, the advantages of a second screening of the proposals of the Undertaking at the Ministry level would be lost, because the officers in the Ministry would naturally start with the impression that it has the approval of the Secretary, in his capacity as a Member of the Board of Directors.

The representative of the Ministry stated that the system of governmental machinery was full of checks and counter-checks and that no important proposal could be approved by Government because Secretary to the Ministry had approved it as a Member of the Board of Directors of an Undertaking. The Committee do not think that

this meets the point. They feel that it would not be in the interests of the Undertaking to nominate the head of the administrative Ministry, be he Secretary, Special Secretary, on the Boards of Directors of Public Undertakings which are under the control of that Ministry. As for ensuring that the activities are by and large in tune with the policies of Government and facilitating the Ministry to keep in touch with the affairs of the Undertaking, the Committee consider that those objectives can be served by nominating an officer at a lower level. (Paragraphs No. 88 & 89).

REPLY OF GOVERNMENT

This recommendation has already been accepted and the Secretary of the Ministry is no longer a member of the Board of Directors. The Transport Ministry is represented on the Board by two officers, the Government Director on the Board of Indian Shipping Companies and the Additional Director General of Shipping.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Serial No. 25)

The Committee note that the Corporation is either seeking the approval of or has discussion with Government on several matters relating to shipping. Moreover, there is no clear cut demarcation between the matters on which the Corporation will come to its own decision and those on which it shall seek prior approval. Though the Corporation is not required to refer to Government matters other than those enumerated in Article 34 of the Articles of Association in practice it has been having discussions with Government on many other matters and not coming to decision independently. In the opinion of the Committee, having discussion with Government has got the same effect as referring matters to Government for approval. The matters on which prior approval of Government shall be taken are enumerated only with a view to allowing the Corporation to take the initiative and come to its own decisions in respect of the other matters. The Corporation appears to have been looking up to Government for guidance in respect of many matters on which it was not necessary for it to do so. For example, in a matter like starting a new service, the Corporation should be better equipped to its own decision after assessing the economics thereof. (Paragraph 95.)

REPLY OF GOVERNMENT

The recommendation of the Committee is noted. The Shipping Corporation generally, makes a reference to the Govt. of India only

in respect of those matters about which Govt. orders are required under its Articles of Association.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Serial No. 26)

The Committee feel that a commercial Undertaking like the Shipping Corporation of India should not be asked by the Government to undertake any activity on non-commercial grounds except by issuing a directive. As stated earlier, the Corporation should also make a mention of such activities and the result on its overall working in its annual reports and accounts. This would reveal a true picture of the working of the Corporation. (Paragraph 97).

REPLY OF GOVERNMENT

The Ministry's reply at Serial No. 7 may please be seen in this regard.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Serial No. 30)

The Committee feel that there is urgent need for the Corporation to review its expenditure on each item and take remedial measures so that the trends towards proportionately lower profit is arrested. Since the increase in the cargo handled by the Corporation during 1963-64 has only been 52.5 per cent over the year 1961-62, the justification for incurring higher expenses should be examined. (Paragraph 108).

REPLY OF GOVERNMENT

The recommendation of the Committee in this regard is noted.

In order to achieve this objective, the Corporation has already set up a Planning, Development and Research Division to go into all aspects of the working of the Corporation besides examining and recommending to the management the possibility of expanding its existing services and/or entering new services. It would be appreciated that none of the major expenses like wages, fuel oil, marine dues, canal dues, repairs, survey insurance, depreciation, etc. is affected by the tonnage of cargo carried. The Corporation is doing its best to bring down the expenses on all major items like fuel and

stevedoring etc. by entering into long term contracts whenever possible. Stevedoring rates at foreign ports are fixed by the various statutory bodies of the ports concerned. Similar is the case with port, marine and canal dues. In regard to repair and survey expenses, the Corporation's policy is to carry out all the survey and repairs to its vessels in India with either of the two public sector ship repair workshops in order to conserve foreign exchange.

The rate of increase in the operating cost during the years under consideration has been such that it has affected all the shipping companies alike and there has been a persistent demand from the various conferences for an upward revision in the freight rates. The Corporation's policy, however, has been to look at the question of freight increase from the overall national point of view with special regard to the promotion of exports and therefore it has been opposing such demand for freight increases.

The Corporation will continue to take remedial measures, wherever necessary and feasible for effecting economy, without lowering the efficiency of operations or the competitive capacity of the undertaking.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Serial No. 31)

Normally, the ratio of management expenses should come down when the business expands. The Committee therefore urge that the Corporation should pay special attention to reduce the management expenses. (Paragraph 111).

REPLY OF GOVERNMENT

The recommendation of the Committee is noted. The Corporation is doing everything possible to reduce managerial expenses. Even at present the Corporation's percentage of management expenses compares favourably with that of certain private sector shipping companies like Scindia Steam Navigation Company and the Great Eastern Shipping Company Limited.

[Ministry of Transport & Shipping (Transport Wing) O. M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Serial No. 34)

The Committee do not think that expenditure on special survey can be expected as a valid ground for incurring heavy losses in

chartering tankers. They note that such expenditure is incurred in respect of other vessels of the Corporation and the expenditure is spread over a period of four years. It is normally to be expected that while determining charter terms, provision would have been made for expenditure on items like special survey which can be foreseen. If this had been done, there is no reason for the Corporation incurring such huge loss. Secondly, as between two tankers which are both employed on coastal trade, one has fetched an average return of 5.5% and the other has been able to give a return of only 2%. The Committee therefore recommend that the reasons for (i) loss incurred in chartering tankers during 1962-63 and 1963-64 and (ii) low return on capital during earlier years should be investigated and remedial measures taken. Action should also be taken to estimate the total expenditure likely to be incurred by the Corporation what would be a reasonable rate of return on the investment and to provide for both while negotiating charter terms in future. (Paragraph 118).

REPLY OF GOVERNMENT

The recommendations of the Committee are noted.

In this connection it may be stated that Corporation's entry into the tanker trade was a pioneering venture and the risks and hazards involved in such a venture had to be accepted as a part of the progress and development of Indian shipping. As the Committee has pointed out the Shipping Corporation had to shoulder the responsibility of providing the necessary leadership and drive so that a greater share of the country's cargo is carried in Indian ships. The Corporation has, therefore, the responsibility of developing the tanker trade and in this endeavour considerations of profitability could not obviously be the only criterion.

The circumstances under which heavy special survey charges had to be incurred on one of the tankers, Des Sevak, are explained in reply to recommendation No. 38. The higher average return of 5.5% on the other tanker, Des Deep, was due to the fact that this was a new tanker built in Japan in 1959 and that till 1963-64, no expenditure was incurred on account of special survey on this ship. However, the loss incurred in the case of these two tankers has been due to extensive special survey and the consequential loss in earnings due to the vessels remaining off hire.

In regard to the fixation of the charter hire rates in respect of these tankers, the expenditure to be incurred on special surveys have

been reckoned, based on normal standards applicable to dry cargo vessels, but the extensive and the complicated nature of their repairs arising out of excessive corrosion of steel plates in the case of both tankers could not be anticipated. It may be pointed out that in the fixation of charter hire of the tankers with the oil companies, the prevalent world tanker chartering market rates would have to be taken into consideration. In fact oil companies have been very reluctant to continue charter arrangements even at the existing rates because, according to them, tankers from the foreign market were available at cheaper rates. Even so, the charter hire rate obtained by the Corporation, from the foreign oil companies, in respect of these two tankers, could be considered as fair, in the then prevailing world market conditions. The charter hire rates for coastal tankers, it may be mentioned, have recently been enhanced.

As a result of intensive research to find out ways and means of giving better protection to the steel plates of tankers, the newly developed process of 'epoxy coating' of the steel plates helps in minimising the corrosion and thereby reducing the operating cost of tankers. The Corporation has already taken advantage of this new facility and its super tankers have been given epoxy coating.

[Ministry of Transport & Shipping (Transport Wing) O. M. No. SY-39(1)/65, dated the 29th September, 1967]

Recommendation (Serial No. 35)

The Committee appreciate the various difficulties experienced in the running of a shipping service. However, the steep decline in profits on some routes call for greater efforts by the Corporation to devise ways and means to increase its earnings on those routes and also reduce the operational costs. The Committee hope that energetic steps would be taken towards this end. (Paragraph 123).

REPLY OF GOVERNMENT

The recommendation of the Committee is noted.

In order to keep the operational results of every service of the Corporation under close and constant review, its management has set up a Research Planning and Development Division which is specially charged with this responsibility.

[Ministry of Transport & Shipping (Transport Wing) O. M. No. SY-39(1)/65, dated the 29th September, 1967]

Recommendation (Serial No. 36)

The Committee hope that in the years to come the ratio of fleet-at-cost and depreciated cost to the paid-up capital of the corporation would be comparable to that of private shipping companies. (Paragraph 126).

REPLY OF GOVERNMENT

The observation of the Committee is noted.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39 (1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 37)

The Committee hope that the trend towards showing better ratio of reserves and surplus to the paid-up capital of the Corporation will not only be maintained but improved upon during the year to come. (Paragraph 126).

REPLY OF GOVERNMENT

The recommendation is noted.

[Ministry of Transport & Shipping (Transport Wing) O. M. No. SY-39 (1)/65, dated the 29th September, 1967]

Recommendation (Serial No. 41)

At present the Annual Report of the Corporation gives information regarding the names of vessels owned, the GRT and the year in which they were built. However, no indication is given about the country where the vessels were built. If this information is also given it would be possible to know the number of the Corporation's vessels built in India and those built in foreign shipyards. (Paragraph 139).

REPLY OF GOVERNMENT

This information is now being furnished by the Corporation in its Annual Reports.

[Ministry of Transport & Shipping (Transport Wing) O. M. No. SY-39 (1)/65, dated the 29th September, 1967]

Recommendation (Serial No. 43)

The Corporation has a dominant role to play in future in the development of Indian shipping. As it will be holding a significant share of the country's tonnage holding in the years to come, it has

the responsibility to provide the necessary leadership and drive to other shipping companies so that a greater share of the country's cargo is carried in Indian ships and more and more routes touching the country are operated by the Indian lines. The Committee feel that apart from considerations of profitability the Corporation should devote attention to the development aspect of Indian shipping such as, exploration of new routes, undertaking of tramp trade etc. (Paragraph 143).

REPLY OF GOVERNMENT

The recommendation of the Committee is noted.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

CHAPTER III

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

Recommendation (Serial No. 1)

The Committee feel that in keeping with Government policy, an upward revision of the expansion programme of the Corporation for acquiring shipping tonnage during the Fourth Plan period would be necessary. This would require that an adequate percentage of the future additions to the country's shipping tonnage is reserved for the Corporation so that its share in the country's tonnage shows a perceptible rise at the end of the Fourth Plan period. (Paragraphs 9-13).

Recommendation (Serial No. 2)

The Committee feel that the rate of expansion of shipping tonnage in the public sector should not be left uncertain. They are in agreement with the recommendation of the Planning Group that the Public sector should account for 50% of the country's tonnage by 1975-76. In the opinion of the representative of the Ministry this may not be capable of achievement. If so, the Committee suggest that it should be determined as to what share of the country's tonnage should be held in the public sector by 1975-76 and steps taken to achieve it by the targetted date. (Paragraphs 14-18).

Recommendation (Serial No. 3)

The Committee feel that it would have been well if the Planning Group set up by the Planning Commission had discussed the feasibility aspect with the administrative Ministry and then determined a target for shipping tonnage to be held in the Public sector which, though lower than 50 per cent, would have been capable of achievement. (Paragraphs 19-20).

REPLY OF GOVERNMENT ON RECOMMENDATIONS No. 1, 2 & 3

The Government of India agrees that there should be accelerated development of shipping in the public sector. In fact, action to this end has been initiated already. For instance, whereas the Committee has mentioned, in para 9 of the Report, that the shipping Corporation was expected to have a tonnage of only 6.11 lakhs GRT

by 1970-71, the new programme of development since formulated by the Shipping Corporation envisages expansion of their tonnage to about 12 lakhs GRT by 1970-71. This programme has been approved by the Planning Commission and would be implemented, subject to availability of the requisite rupee resources and foreign exchange. The effect of the implementation of this programme would be that by the end of the 4th Plan period i.e. March 1971, the shipping tonnage in the public sector would be about 40% of the total Indian tonnage.

During the 5th Plan Period, there would be further accelerated development of shipping in the public sector and, therefore, it should be possible for the shipping tonnage in the public sector to attain the target of 50 per cent by 1975-76 as recommended by the Committee.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 4)

The Committee find that the Corporation has so far started service only on one new route in which no Indian line was operating. They hope that the Research Cell would be strengthened and with the help of the studies made by it, the Corporation will be able to start services on more new routes in future. (Paragraph 27).

REPLY OF GOVERNMENT

Though the Shipping Corporation entered into the East Coast of India/Australia, Madras/Singapore, East Coast of India/Japan and Bombay/East Africa services at the instance of the Government and with indemnity for losses, the more significant fact is the successful development of all these routes by the Corporation by its own efforts and without claiming actual reimbursement of any losses or subsidy from Government. The fifth route, viz., West Coast of India/Japan was subsequently developed by the Corporation on its own initiative. In effect, it may therefore be regarded that the Corporation did, in fact, develop five new routes and not one.

The Corporation has subsequently entered and strengthened its position in routes like India/U.K. Continent, India/USSR and India/USA managed to obtain a greater share for India in these trades. It may be pointed out in this connection that the development of liner services has to be measured not only in terms of new routes entered but in terms of increasing carriage of India's foreign trade.

in Indian ships and in terms of this criterion the Shipping Corporation's performance has been creditable.

An adequate machinery exists in the Shipping Corporation to carry out research for development of new routes in the future. The Corporation is, however, continuing to devote attention to aspects such as the development of new routes and strengthening of existing services and routes, subject to the availability of tonnage, and in accordance with priority based on economic factors including the earning or saving of foreign exchange.

[Ministry of Transport & Shipping (Transport Wing) - O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 5)

The Committee trust that a decision regarding the service to West Africa will be taken as early as possible. They recommend that the feasibility of starting one to West Indies may also be examined. (Paragraph 28).

REPLY OF GOVERNMENT

The economics of starting a service to West Africa have been examined in detail. Though it is feared that it will entail substantial losses, the feasibility of starting a service is under the consideration of Government.

The question of starting a direct service to West Indies has also been examined but it has been found that such a service will not be economically feasible because of the negligible volume of trade between India and West Indies. Nor is there any real need or urgency for such a service because:—

- (i) This route is already covered by the Calcutta-East Coast of India-East Pakistan/U.S.A. Conference with transshipment at U.S. Atlantic and Gulf Ports.
- (ii) Nedlloyd Lines which cover India-Pacific trade also accept cargoes to West Indies Ports generally with transshipment at Cristobal; and
- (iii) West Coast of India-Pakistan/USA Conference is also likely to start catering to this trade on transshipment basis after sometime.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 6)

The Committee feel that less remunerative routes should also be operated by the Indian Shipping Companies with a view to promote the export trade of the country. They, however, think that the Corporation should not be exclusively asked to operate such routes. It would be desirable if there would be an equitable distribution of the more profitable as also the less profitable routes between the private and public sector shipping companies. (Paragraph 31).

REPLY OF GOVERNMENT

Normally a shipping company in the private sector or in the public sector, would not like to operate in an unremunerative route. But Government can ask them, in the larger interests of the country, to operate on such routes provided it undertakes to meet the losses incurred in such operations. Since the losses have to be met by Government in such cases, it is obviously preferable to allot these routes to the public sector over which Government has full control, rather than to the private sector.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39 (1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 9)

While the Committee commend the initiative shown by the Corporation in withdrawing vessels from other routes and starting the U.S.A. Service expeditiously they cannot help observing that the proposal to start the service and a decision thereon should have been taken much earlier. (Paragraphs 38-39).

REPLY OF GOVERNMENT

The U.S.A. Service could not be started earlier than May 1963 because of paucity of owned vessels with the Corporation. The Corporation had started two important cargo services during 1961-62, viz., the West Coast of India/Japan Service and India-Pakistan/U.K.-Continent Service which meant that a substantial number of vessels were employed on these two services. Further, during 1962-63 the Corporation had to increase the number of vessels on the West Coast of India/Japan Service because of the necessity to provide a monthly service in place of two-monthly service.

On the basis of its development programme, the Corporation had placed orders for fast vessels required for the India/U.S.A. Service early in 1961. The first vessels ordered in 1961 was delivered in May, 1965. Ordinarily, therefore, it would not have been

possible for the Corporation to commence this service till 1965. However, in order to hasten the entry of the Corporation in this important route, as soon as it became practicable i.e., from May 1963 onwards, certain vessels which were gainfully employed in the other services of the Corporation were withdrawn one by one and placed in the India-USA Service and the gap created was filled by the available chartered vessels of slower speed.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 18)

The Committee feel that the problem of transporting overseas oil cargo needs to be dealt with in a manner which would be beneficial to Indian shipping companies. As a first step the Ministry of Petroleum and Chemicals should, in consultation with the Ministry of Transport, devise ways and means to ensure that contracts entered into by oil companies are on such terms as would enable the utilisation of Indian tankers to the maximum possible extent. Since the oil companies operate their business in the country with the permission of Government the Committee feel that it should be possible for Government to make them agree to employ Indian tankers to the extent of 50 per cent of the oil cargo. (Paragraphs 67—72).

REPLY OF GOVERNMENT

The existing refineries owned by the three foreign oil companies, viz., Burmah Shell, Esso and Caltex were established in terms of agreements concluded between them and the Ministry of Petroleum and Chemicals during 1951 to 1953. One of the assurances given by the Government of India in terms of these agreements reads as follows:—

"Tankers, regardless of flag, importing crude oil or products for the refinery for marketing operations in India, will be permitted to lift products from the refinery for delivery to other ports in India. If, in future, the Government or any shipping corporation in which the Government own the majority of the voting shares shall acquire one or more petroleum tankers of a size economically suitable for use in the Oil Companies' business, the Oil Companies, subject to their then existing charter commitments will enter into discussions with the Government with a view to utilisation of a reasonable number of such tankers."

In view of the above provisions, it is not possible to definitely lay down that 50 per cent of the imports of oil cargo will be available for Indian tankers. However, these three companies or their Associates have already chartered 5 Indian tankers out of which one is being used for imports to India while the others are being used for transporting oil cargoes to other countries. From the foreign exchange angle, the employment of the 4 tankers in other trades is as good as employment in India's oil trade.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 20)

Since coastal trade has been reserved for Indian Shipping, the Committee cannot accept the unwillingness of the oil companies as a valid reason for allowing substantial portions of the coastal tanker cargo to be carried by tankers of the foreign flag. It should have been possible for the Government to take a firm line to and have been to it that the oil companies cease to take an attitude which is against the declared policy of Government and the country's interests. The Committee suggest that an estimate should be made of the possible reduction in the movement of oil products as a result of the establishment of more oil refineries. Depending upon the availability of oil cargo, action should also be taken by the Corporation to acquire the requisite number of tankers. Every endeavour should be made to ensure that the objective of the shipping policy i.e. to carry 100 per cent of the coastal trade by Indian ships, is achieved in the shortest possible time. (Paragraph 79).

REPLY OF GOVERNMENT

At the time of the establishment of the refineries by the three foreign oil companies in 1951, 1952 and 1953, each company entered into an agreement with the Ministry of Works, Production and Supply which contains a special clause to the effect that tankers, regardless of flag, importing crude oil or products for the refineries or for marketing operation in India will be permitted to lift products from the refinery for delivery to other ports in India. There is also a provision in the Agreement that if in future the Government or any Shipping Corporation in which the Government own the majority of voting shares shall acquire one or more petroleum tankers of a size economically suitable for use in the oil companies' business, the oil companies, subject to their then existing charter commitments, will enter into discussions with the Government with a view to utilisation of a reasonable number of such tankers. In pursuance of this provision, each of the three oil companies has taken one Indian

coastal tanker on time charter. Beyond this number they are unable to take any more Indian tankers because:—

- (i) the foreign tankers importing crudes etc. from abroad and which they have permission to use on the coast by virtue of the provisions underlined above, are sufficient to meet their present requirements; and
- (ii) they cannot make any commitment for the future in the absence of an authentic forecast of the quantum and pattern of future movement of oil products on the coast, resulting from the establishment of more refineries at Cochin, Madras and Haldia etc.

The future pattern of the movement of oil and oil products on the coast and the requirement of tankers for such movement are being studied by the Ministry of Petroleum and Chemicals as well as by the National Shipping Board. The question of chartering more Indian coastal tankers to the three foreign oil companies will be pursued further in the light of the results of these studies.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 24)

The question of setting up Branch Offices at Singapore and Madras was stated to be under consideration and there was a proposal to make beginning with Singapore. The Committee trust that a decision will be taken on this proposal early.

They would also suggest that a study should be made of the comparative costs of maintaining a Branch Office and engaging of agents brokers at all principal ports where the Corporation has substantial business. Wherever the cargo offering justifies the setting up a Branch Office, early action should be taken to set up one. (Paragraphs 91-92).

REPLY OF GOVERNMENT

The Corporation has studied the comparative costs of maintaining a Branch Office vis-a-vis engaging agents/brokers at some of the important ports like Singapore and Madras. It has been observed • that from the financial angle, the Corporation would not stand to gain immediately by opening Branch offices by dispensing with the services of agents. The Corporation has considered that some of the advantages of opening branches such as better control of trade expenditure, opening up of fresh possibilities of growth of the organisa-

tion etc. can also be achieved by deputing an officer to some of the major ports.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 27)

Prima facie, it appears to the Committee that there are too many levels between the Section Head and the Managing Director.

Some of them appear to have been created merely to provide avenues of promotion. The Committee feel that there is scope for eliminating some of these levels without impairing the efficiency. The Committee, therefore, recommend that a study should be undertaken by the Corporation to evolve a proper organisational set up for the Corporation after taking into account the set-up obtaining in private shipping Companies and the span of control considered necessary for an organisation of this nature. The Committee further recommend that, if it has not already been done, the duties and responsibilities should be laid down for officers at each level so that the work is attended to with promptness and expedition. (Paragraph 101).

REPLY OF GOVERNMENT

The Corporation has already taken the necessary steps in this regard to evolve a suitable organisational set up, taking into account, the expansion in the activities of the Corporation and the variegated trades it has undertaken to develop. Towards this end, the Corporation has engaged a Consultants' Team from the Administrative Staff College of India, Hyderabad. The Team commenced its work in March, 1966, and has already gone into the various aspects of the Corporation's working, in order to be able to define the duties and responsibilities of the officers at each level. Some of the interim recommendations of the Committee like the re-organisation of the accounting system, mechanisation of accounts, etc., are being implemented. The Team is expected to submit its final report in a few months' time, whereafter the necessary steps will be taken by the Corporation to implement the same and evolve an organisational set up best suited to a commercial concern like that of the Corporation.

The Corporation's present organisation set up is based on the pattern which existed in the erstwhile Eastern Shipping Corporation, which was under the Management of the Scindia Steam Navigation Company, one of the leading private sector shipping companies of India. Though there are six levels of officers between the Section Head and the Managing Director, in actual practice in almost every

case, the matter is dealt with and disposed off only by two or three levels of officers dealing with it. This system has helped in the delegation of the management responsibilities to the different level so that the work is attend to with promptness and expedition.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 27)

It is noticed that Indian shipping companies generally employ more crew than foreign shipping companies for manning vessels of comparable size. This has been the case with regard to Shipping Corporation also. The Committee were also informed that the Seamen's Union was strongly opposed to any reduction in number. During evidence, the Committee learnt that a separate concept was evolved for the Asian crew at the ILO Conference. The Committee recommend that the entire question may be examined by the Government at the appropriate levels. (Paragraph 102).

REPLY OF GOVERNMENT

The Government are aware that the number of Indian seamen manning a vessel is at present substantially larger than the number of European seamen manning a comparable vessels. This is partly due to the reason that Indian crews are required to undertake certain jobs on board ships which are required to undertake certain by European crews. Even so, it is recognised that it would be desirable to reduce the complement of Indian crews specially with a view to securing an improvement in their per capita income. In fact, due to technological developments, the process of effecting a reduction in the complement of Indian crews has already commenced and it is expected that over a period the problem to which the Committee has made a reference would stand largely resolved. If the pace of changeover is hastened unduly, it may lead to large scale unemployment among Indian seamen and thereby cause discontentment. Government will, however, bear all the aspects of the problem in view and will keep the matter under constant review in consultation with the representatives of shipowners and seafarers.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 29)

At present, the Corporation determines the seniority among its officers holding the same post on the basis of basic pay drawn by

each. Such a practice is not prevent at anywhere else and the Managing Director agreed to revise it. The Committee feel that this should be done immediately and rules for determining seniority laid down in consultation with the Ministry of Home Affairs. (Paragraph 103).

REPLY OF GOVERNMENT

The problem of *inter se* seniority among officers holding the same post now stands largely resolved since the Corporation recruits officers at the minimum of the scale and their seniority is consequently determined with reference to the date of their appointment to such post.

During the initial years of its development it did become necessary to recruit experienced personnel at intermediate stages in particular grade. These officers had behind them several years of service in other shipping companies and it would have been unfair to have made them the junior-most in the grade to which they were recruited. Thus their seniority was determined with reference to the pay which was allowed to them within the grade of pay applicable to the post which they held. This is not an unusual phenomenon and it does occur in the early stages of the establishment of a new project. The Shipping Corporation of India has now passed through that stage and as a rule it would no longer be necessary to recruit officers by giving them a higher pay than the minimum of grade.

It may be mentioned in this connection that in a commercial undertaking, seniority is not of the same consequence as it is in Government service. A commercial undertaking has to look out for merit and reward it suitably.

(Ministry of Transport and Shipping (Transport Wing) O.M.No. SY-39(1) | 65, dated the 29th September, 1967.)

Recommendation (Serial No. 32)

It has been stated that any shipping company can play an enduring role only if the return is about 10 per cent. Since the Corporation's rate of return is very much lower than this norm, effort should be made to reach the desired level as early as possible. The Corporation has plans for acquiring a fairly good number of vessels during the coming years. It is expected that its gross earnings will also rise correspondingly. If proper check is therefore kept on the

expenditure, it should be possible to increase the rate of return appreciably (Paragraph 113)

(Ministry of Transport and Shipping (Transport Wing) O.M.No.SY-39(1)/65, dated the 29th September, 1967.)

REPLY OF GOVERNMENT

The profitability of the Shipping Corporation has improved progressively over the last four years. For the year 1966-67, the Shipping Corporation has earned a net profit of Rs. 4:70 crores works out to a return of over 20 per cent on equity capital.

(Ministry of Transport and Shipping (Transport Wing) O.M.No.SY-39(1)/65, dated the 29th September, 1967.)

Recommendation (Serial No. 33)

The Committee are apprehensive that the net profit is likely to be much less than that shown in the annual accounts. It is therefore necessary to notionally calculate the tax which the Corporation would have had to pay but for its acquisition of vessels, so that the true picture regarding the profit is available...If such notional calculation reveals that the net profit is very low or nil, it is matter of great concern and the Corporation should initiate studies to examine the reasons therefor and take remedial measures expeditiously. (Paragraph 114)

REPLY OF GOVERNMENT

The net profit of the Shipping Corporation is calculated each year strictly in accordance with the provisions of the Income Tax Act as is done by other Indian shipping companies. The Income Tax Act allows a shipping company to set-off not only the normal depreciation but also the development rebate and the tax liability arises only thereafter. The development rebate allowance has only replaced the initial depreciation allowance which was being allowed under the Income Tax Act prior to the introduction of development rebate allowance. Further, if the development rebate is not allowed, other tax concessions like the tax rebate due to newly established industries, double income-tax relief etc. would become applicable. The net profit of the Corporation, calculated in accordance with the existing provisions of the Income Tax Act, are comparable to those of other than Indian Shipping Companies.

[Ministry of Transport and Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

Recommendation (Serial No. 38)

The Committee find that the expenditure incurred by the Corporation on special surveys of its cargo line vessels (except State

of Andhra) during the years 1961-64 has varied between Rs. 4.34 lakhs to Rs. 4.61 lakhs. They feel that there could not be sufficient justification for incurring an expenditure of Rs. 45.70 lakhs on the tanker 'Desh Sewak'.

The Committee suggest that the circumstances which entailed incurring heavy expenditure on this vessel should be looked into and proper methods evolved for keeping the expenditure on such items within reasonable limits. (Paragraphs 132-33).

REPLY OF GOVERNMENT

The recommendation of the Committee has been noted. Efforts would be made to ensure that the expenditure on the special survey of the Corporations' tankers as well as cargo vessels is kept to the minimum possible.

The circumstances under which the Corporation incurred heavy expenditure on the Special Survey of the tanker 'Desh Sewak' have been looked into. Extensive corrosion had taken place in the internal structure of the cargo tanks; due to continuous carriage of petroleum products in the outward voyages and ballast on the return voyages during the four years from 1958 to 1962. On account of this, it was necessary to renew a substantial portion of the steel structure of the vessel during its third Special Survey. The vessel was laid up for a general examination and for drill test in order to study conditions of the various cargo oil tanks, decks, shell, etc. These examinations revealed extensive corrosion on the upper deck beam and plates. All bulkheads needed complete renewal. After examining the vessel, the Lloyd's surveyors declined permission even for a single day's trading. In the circumstances the special Survey of this vessel had to be taken in hand immediately. Both the Garden Reach Workshop and the Mazagon Dock were not in position to undertake the Special Survey job which involved extensive steel renewal work, due to lack of availability of steel and other facilities. Though the Corporation's policy has been to entrust its survey only to either of these two Government workshops to conserve foreign exchange. It was decided to send the vessel 'Desh Sewak' abroad for special survey since the Indian Workshops had no experience of the type of work involved and further it would have taken 8 to 9 months to carry out the job and perhaps even more. A Special Survey work of this tanker was ultimately got done at Hong Kong after full study of all the factors involved. The survey repairs were satisfactorily completed in a record time of about 3 months. The total steel renewal came to 1009 tons. The

entire survey cost Rs. 45.70 lakhs mainly as a result of the steel renewals.

In this connection, it may be stated that case of tankers is quite peculiar from that of cargo vessels whose cost of special survey would not be high as there are no problems like corrosion of steel plates etc. However, the Corporation is making every effort to keep the expenditure on survey repairs within reasonable limits.

The recent technological developments in the field of protective paints will also minimise the problem of steel corrosion to any appreciable extent.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Serial No. 40)

Delays in Ports, lack of adequate ports facilities, draft restrictions at Calcutta etc. are common to all shipping companies constituting serious bottlenecks to the development of Indian shipping. These affect the working of the Shipping Corporation also. The Committee hope that Government will take necessary steps to minimise these difficulties. (Paragraph 138).

REPLY OF GOVERNMENT

The Government is aware of the need for providing adequate port facilities to cope with existing and anticipated traffic. A programme for the development of major ports during the Fourth Plan envisaging a total investment of Rs. 234 crores has been included in the Draft Outline of the Fourth Five Year Plan. The programme is designed to improve and augment the capacity of ports, modernise cargo handling equipment and to improve the general operational efficiency of the ports. It is expected that with the implementation of this programme there will be quicker turn-round of shipping and more modern facilities will be provided to shipping.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

Recommendation (Serial No. 42)

In the course of evidence, the representatives of the Ministry of Transport and the Shipping Corporation promised to furnish information on certain points. A list of such points was sent to the Ministry/Corporation on the 19th December, 1964 but information on those points had not been furnished to the Committee till the time

of finalisation of the Report. The Committee take a serious view of this and desire that suitable instructions should be issued to all Ministries/Public Undertakings so that such delays do not recur. (Paragraph 140).

REPLY OF GOVERNMENT

The delay in the submission of the requisite information is regretted. Instructions have been issued to the undertakings under the administrative control of this Ministry to ensure that no such delay is allowed to occur in future.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967].

CHAPTER IV

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

Recommendation (Serial No. 39)

The Committee cannot but take a serious view of the fact that the repairing firms took two months to give a reply. They feel that this is a fit case for Government to examine and to fix the responsibility for the delay. Government should also issue suitable instructions in this regard to avoid such delay in future (paragraph 135).

REPLY OF GOVERNMENT

The circumstances in which the Corporation had to send the tanker, 'Desh Sewak' to Hong Kong for the Third Special Survey have already been explained in our comments on the recommendation No. 38—para 132 and 133. The further factual position in this regard are as follows:—

- (i) The Special Survey of the tanker was due in May, 1962 and it was felt that during the Survey, the Corporation would have to renew some of the steel plates in the internal structure of the vessel where corrosion had taken place.
- (ii) Since the vessel was likely to be laid up for a long period involving loss of hire, the Corporation decided to obtain one year's extension for carrying out the Special Survey by submitting the vessel for a general examination to the Lloyds. This was done with a view to assessing the type and extent of steel work in advance so that our own repairs yards may be able to obtain the requisite material to undertake the job. The objective was two-fold; to give business to our shipyards and also to save considerable foreign exchange in carrying out repairs abroad.
- (iii) The tanker was laid up for general examination and drill test with the Mazagon Dock, Bombay on 2nd June, 1962.

- (iv) The drill tests were completed by the end of June and the Lloyd's Surveyors, after studying the conditions of the tanker, declined permission even for a single day's further trading. Therefore, the Special Survey of the tanker had to be taken on hand immediately.
- (v) The drill tests revealed that steel to the extent of about 885 tons would have to be renewed besides other repairs.
- (vi) The Corporation was anxious to save the considerable foreign exchange in carrying out the survey abroad and therefore it explored the possibilities of getting the Special Survey done at one of the Indian ship repair yards. Discussions were held with the representatives of Mazagon Dock Bombay and Garden Reach Workshops, Calcutta.
- (vii) When it became known that both the Indian workshops were not in a position to meet our requirements the final decision to send the vessel to Hong Kong was taken on 12-7-62.

After the Lloyd's refusal to grant extension, the question of getting survey done in Magazon Dock in Bombay was examined. On the 5th July, 1962 a meeting was held with the representatives of the Mazagon Dock when it was ascertained that the minimum time for the completion of the survey work, after sufficient steel supplies became available was 6½ months was essential, but it was by means certain that sufficient steel would become available even after the said period. It was expected that a minimum period of 9 months would be necessary for carrying out the survey in India and yet there was no guarantee about the availability of steel required. The need for very large renewals and the nature and special type of job involved had already been brought to the notice of the Government surveyors inspected the drydock and examined the drill test records on 24th June, 1962. They also pointed out that considering all circumstances it was advisable to send the vessel abroad and they had further advised the Corporation to obtain necessary quotations in this regard. In the meantime, as a measure of abundant caution the Garden Reach Workshop, Calcutta had also been approached to ascertain whether they could handle the job. After considering the volume of repairs, etc. the Garden Reach Workshops had indicated in their letter dated 12th July, 1962 that they had only about 150 tons steel in stock and they would take atleast 3 months to obtain the balance steel plates and probably six months to obtain the necessary angle and channel sections. They

were keen to undertake the job if the Corporation could obtain a further one year's extension of the survey which already been stated the Lloyd's had flatly refused. Considering all the circumstances and the imperative need to carry out the special Survey, both the Mazagon Dock and the Garden Reach Workshop agreed that there was no alternative to sending the vessel abroad for Survey.

In order to save time, the Corporation had in the meantime, obtained quotations from reputed workshops in the Far East, negotiations about cost and time were also connected simultaneously and the final decision to allot the work to the Taikoo Dockyard, Hong Kong was taken on 12-7-1962 and the vessel sailed from Bombay on 18-7-1962 obtaining a temporary Loadline certificate for a ballast voyage, arrived Hong Kong on 7th August, 1962. After completing the survey work in their record of about 3 months the vessel sailed back to Bombay on 10-11-62. The total steel renewal came to 1009 tons.

It would be seen from the above facts that only at the end of June, 1962, when the drill test and general examination for ascertaining the quantum of steel renewals etc. were completed, an approximate idea of the work involved could be had. Thereafter on an emergency basis, discussions with the Mazagon Docks and Garden Reach Workshops were held to ascertain whether they were in a position to carry out the special survey and when it became known that neither of the Yards could meet the requirements, the final decision to allot the work to the Taikoo Dockyard, was taken on hand on 12-7-1962. The whole process had taken only about 10 days.

Under the circumstances, it will be appreciated that there is no need for the issue of general instructions in this regard.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 29th September, 1967.]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

It has been stated that the whole process had taken only about ten days. This is at variance with the evidence given by the representative of the Ministry before the Committee to the effect that two months' time was taken by the Garden Reach Workshops, Calcutta and Mazagon Dock, Bombay to inform the Corporation of their inability to carry out the repairs.

It is requested that these two statements might be reconciled.

(L.S.S. O.M. No. 30-PU/67, dated 22.12.1967).

FINAL REPLY OF GOVERNMENT

The Chairman and Managing Director of the Shipping Corporation has since informed that the reference by the representative of the Ministry to "two Months' time", mentioned in the comments of the Committee, might perhaps have been to the total period the vessels had to be in Bombay and might not be specifically the time taken by the Workshops to inform the Corporation of their inability to carry out the repairs.

[Ministry of Transport & Shipping (Transport Wing) O.M. No. SY-39(1)/65, dated the 2nd March, 1968].

COMMENTS OF THE COMMITTEE

Please see Chapter I of the Report.

NEW DELHI;
April 25, 1968
Vaisakha 5, 1890 (S)

D. N. TIWARY,
Chairman,
Committee on Public Undertakings.

APPENDIX

(Vide para 5 of Introduction)

Analysis of the action taken by the Government on the recommendations contained in the Third Report of the Committee on Public Undertakings (Third Lok Sabha).

I. Total Number of Recommendations	43
II. Recommendations that have been accepted by Government (<i>vide</i> Sl. Nos. 7, 8, 10, 11, 12, 13, 14, 15, 16, 17, 19, 21, 22, 23, 25, 26, 30, 31, 34, 35, 36, 37, 41, 43.)	
Number	24
Percentage to total	55.81%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> Sl. Nos. 1, 2, 3, 4, 5, 6, 9, 18, 20, 24, 27, 28, 29, 32, 33, 38, 40, 42)	
Number	18
Percentage to total	41.86%
IV. Recommendation in respect of which the reply of Government has not been accepted by the Committee (<i>Vide</i> Sl. No. 39)	
Number	1
Percentage to total	2.33%

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
21.	Sat Narain & Sons, 3143, Mohd. Ali Bazar, Mori Gate, Delhi.	3	30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
22.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
23.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	32.	Hind Book House, 82, Janpath, New Delhi.	95
24.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	33.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
25.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	MANIPUR		
26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	AGENTS IN FOREIGN COUNTRIES		
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68			

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