GOVERNMENT OF INDIA
MINISTRY OF TRANSPORT

REPORT

OF THE

RAIL-SEA CO-ORDINATION COMMITTEE

1957

CONTENTS

INTRODUCTORY

APPOINTMENT OF THE COMMITTEE AND TERMS OF REFERENCE

Arising out of the growing volume of traffic from the country's developmental schemes, complaints had been received from various quarters about the inadequacy of transport experienced by industry and trade. At the instance of the Planning Commission, a Study Group was appointed by the Ministry of Transport in August, 1953 "to make recommendations on planning transport industry so as to meet the increasing demand". The Study Group in referring to the progress made in other countries to develop the various modes of transport as complementary means of communication stated as follows with specific reference to India:—

> "In India, though the railways were the last to make their appearance chronologically, they have overshadowed the three other means by expanding vastly as a result of the encouragement given to them by official policies adopted for over a hundred years. The revival of interest in the other means of transport has still to acquire momentum in this country. Though some measures have been taken and policy statements made from time to time regarding the importance of developing other means of transport, no definite policy, giving due recognition to the part to be played by road transport, inland navigation and coastal shipping has been finally adopted by Government.
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> We feel, therefore, that the first step to be taken is for Government to announce formally their policy in regard to the development of different means of transport."

2. Subsequently, the *Ad Hoc* Study Group of the Consultative Committee of Shipowners, appointed in November, 1954 to examine the shipping target for the Second Five-Year Plan, also emphasised the importance of promoting co-ordination between rail and sea transport. This Study Group observed—

> "The Railways should be requested to take due note of the additional tonnage which Indian Shipping Companies propose to add to their existing fleet (with substantial loan assistance from Government) in the final determination of their (Railways') own plans and their own expansion programmes so that there may be no serious conflict of

interest between Indian Shipping and Railways. After all, it is the Indian capital that is invested in Railways as well as on Shipping. It will therefore be a tragedy if the Railways were to divert the cargo from the sea to the rail route as a result of its superior strength or as a consequence of its rate-manoeuvring policy and thus militate against the efforts of shipowners to build up an adequate merchant fleet for the country. It should be the recognised policy of the country that the rail-sea co-ordination should be based on the full and economic employment of coastal ships and on the strict adherence to the understanding of not diverting any cargo now moving, or suitable for movement in future, by sea to the rail route by offering uneconomic rates or by the introduction of any such similar methods. It should be the policy of the Government and the Railways to allow the free and untrammelled development of national shipping so vital to the country's economic prosperity and effective security. The Study Group attaches considerable weight to the effective implementation of this policy of co-ordination without which it will be impossible to ensure the economic development of shipping on the coast, and it therefore recommends that the Railway Plan and the Shipping Plan be considered together by the Planning Commission to ensure that no lop-sided development takes place in either sphere."

3. The Railway Minister, Shri Lal Bahadur Shastri, introducing the Railway Budget in Parliament for 1955-56 referred to the need for expansion of transport of rail and other forms arising from the requirements of the developmental economy in India and stated as follows:—

> "Needless to say, it is essential to promote maximum co-ordination among the various means of transport and this matter is already engaging the attention of the Transport Ministry which has constituted a Study Group. Railways are also represented on it. As the Study Group might take some time to produce its report, I have considered it desirable to examine one of the aspects shortly. I refer to the possibility of co-ordination between railways and coastal shipping in order to promote the development of the latter on sound lines. I intend setting up shortly a Committee in order to examine certain specific suggestions that have been put forward. The Committee will also undertake a comprehensive examination of the comparative costs of operation on competitive routes by rail and by sea and advise on the steps to be taken to promote transportation by coastal shipping of commodities which are specially suited to this type of transport."

4. In pursuance of this statement, the Government of India appointed this Committee in June 1955 with Shri N. S. Lokur, President, Railway Rates Tribunal as Chairman with the following as members:—

1. Shri B. Das, Member of Parliament.
2. Shri M. Govinda Reddy, Member of Parliament.
3. Shri S. R. Kalyanaraman, Additional Member (Commercial), Railway Board.
4. Shri B. R. Patel, Director-General of Shipping, Bombay.

and with Shri D. Mahadevan, Superintendent Rates, of the Eastern Railway, as Secretary. Shri B. R. Patel attended the first meeting and on his transfer to another post, the Government issued a notification appointing Shri P. R. Subramanian, Sr. Dy. Director-General of Shipping, Bombay as member in place of Shri B. R. Patel. Shri P. R. Subramanian has in fact been with us from the time of the first meeting of the Committee which he attended along with Shri Patel.

5. The terms of reference to the Committee are:—

1. (a) to examine the reasonableness of freight charged by coastal shipping with reference to its costs of operation;

   (b) to examine the existing pattern of trade movements 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 and with particular regard to—

   (i) the need for promoting development of coastal shipping on sound lines;

   (ii) the need for avoiding overlapping between the two forms of transport;

   (iii) the need for developing adequate coastal shipping in the larger and long term interests of the country; and

   (iv) the possibility of extending through booking arrangements between Railways and Shipping for movements by combined rail-sea route, wherever possible.

2. to advise whether any standing machinery should be set up for considering all problems concerning rail-shipping co-ordination or allocation of traffic between the two forms of transport.

6. Shri N. S. Lokur, President of the Railway Rates Tribunal took over the additional charge of Chairman of the Committee in June 1955. The members were all part time. Shri D. Mahadevan, who functioned as full time Secretary, assumed charge of his post in July, 1955.

The Headquarters of the Committee was fixed at Madras.

7. We commenced our deliberations with a preliminary meeting at Madras on 21st August, 1955, when we considered the scope of the terms of reference. We also decided at this meeting the procedure for [illegible] opinions on the subject matter before us. The necessary [illegible]ires were issued to the Railway Board, the Indian Coastal [illegible] and individual Shipping Companies. Subsequently questionnaires [illegible] also issued to the Port Authorities of Madras, Calcutta, Vizapagatam, Bombay and Cochin as well as to the Saurashtra and Bombay Governments in respect of the Saurashtra ports and Okha port respectively and to the Development Commissioner, Kandla in respect of Kandla port. Copies of these questionnaires are given in Annexure I. We decided further to invite the views of the different Chambers of Commerce, especially those located in the Maritime States, on matters under consideration by us. We addressed 161 Chambers and other commercial bodies and received replies from 43 organisations. A list of the Chambers of Commerce that replied is given as Annexure II.

Visits and Interviews

8. In all, 47 meetings were held. Apart from the meetings amongst ourselves, meetings with various organisations were arranged so as to coincide with our tours of the more important ports such as Calcutta, Bombay, Cochin, Madras, Vizagapatam and Saurashtra ports. While at these principal towns we held discussions with the Port Authorities as well as the different Chambers of Commerce. We also went round the Port areas to acquaint ourselves with the existing port facilities for handling etc., provided and also with expansion programmes that the different Port Authorities had for the Second Plan period. We met the representatives of the Tuticorin Salt Manufacturers' Association at Madras. Besides meetings held with Chambers of Commerce of the Maritime States, we also held meetings at Delhi with the Federation of Indian Chambers of Commerce and Industry and other commercial bodies of Delhi.

We arranged two meetings with the Coal Controller at Calcutta. The first meeting was when we visited the Port of Calcutta during the initial stages of our deliberations and the second meeting again towards the concluding stages when we considered the repercussions on the plans for the production and distribution of coal, likely to arise from any diversion of traffic in coal from the rail to the sea route.

We met the Salt Commissioner and his officials at Delhi.

We addressed a letter to the Planning Commission asking for a breakdown, commodity-wise, of the traffic likely to materialise during the Second Plan period in respect of traffics likely to be suitable for movement by the sea route. The reply of the Commission has assisted us greatly in estimating the traffic potential during the Second Plan period available for co-ordinated movements by rail and coastal shipping.

We met, by prior arrangement, the team of American experts led by Mr. Holmsquist, at Bombay and we had the benefit of their views on Rail-Sea co-ordination. They were also good enough to furnish us with information from their office in America on certain questions raised during our discussions with them.

A list of witnesses examined by us is appended as Annexure III.

Meeting with the Indian Coastal Conference

9. Our first questionnaire to the Indian Coastal Conference was issued in August, 1955, and they were requested to furnish their reply in a month's time. On their request, however, the period was extended from time to time and their reply was received only during the 3rd week of December, 1955. Subsequently, we had to address a supplementary questionnaire to them asking for a clarification of some of the issues raised in their reply. Their further reply to this questionnaire reached us sometime in February, 1956. With regard to the first term of reference, namely, "to examine the reasonableness of freight charged by coastal shipping with reference to its costs of operation" we had called for voyage accounts from various members, on a uniform basis. The Indian Coastal Conference stated that their member companies had been asked to supply the information on the lines indicated as far as possible; subsequently in another letter dated 7th February, 1956, they referred to the difficulties of the member companies to supply information on certain points and stated that the compilation would in any case take a long time. The member companies completed the furnishing of their voyage accounts by the end of May, 1956.

On a broad examination of these voyage accounts it was found that no uniform basis had been adopted in drawing them up. In the meantime, in January, 1956, itself, we had approached the Government for the appointment of a Government Cost Accounts Officer, to analyse the shipping costs on the coast, as it was clear by then that separate accounts were not being maintained by the different Shipping Companies in respect of their overseas and coastal operations and that the expenses would require to be allocated between the two trades on an acceptable formula. The Government Cost Accounts Officer was appointed in April, 1956. At our first meeting with him and his officers, he expected to submit his report by 15th June, 1956. In view of certain difficulties

experienced by him in obtaining the required information, this could not, however, be done and he actually submitted his report to the Committee towards the end of August, 1956. The consideration of this report took some time. We also requested the Cost Accounts Officer to furnish some additional information and to analyse the expenses of the Great Eastern Shipping Co. Ltd., that had not previously been done by him. We had circulated to the various Shipping Companies the results of the analysis of their accounts for their information and comments, and thereafter, we met the Indian Coastal Conference formally in November, 1956. At that meeting the Conference stated that so far as accounts of the individual member companies were concerned, they would request the Committee to hold detailed discussions with the member companies separately as several of them wanted a clarification of the basis adopted for arriving at the figures shown by the Government Cost Accounts Officer. We agreed to this suggestion and held several meetings with individual Shipping Companies, so that broadly there might be agreement as regards the expenditure under the several direct and indirect items that we were finally to include in our report.

Plan of the report

10. We have considered it appropriate to take up first, item 1 (b) of the terms of reference and subsequently to deal with the issue raised in item 1 (a) *viz.*, "to examine the reasonableness of freight charged by coastal shipping with reference to its costs of operation". In dealing with item (1) (b) of the terms of reference, we have traced the development of coastal shipping and indicated the volume of traffic in the coastal and adjacent trades in the past few years. We have indicated the shipping tonnage target to be achieved for the coastal traffic by the end of the Second Plan period. After making a detailed analysis of the present pattern of movements, both by sea and by rail, in respect of such traffics as are suitable for movement by the sea route and of the traffic that will develop during the Second Plan period, we have indicated the volume of traffic in the different specified commodities, suitable for carriage by sea, that would require to be diverted to the sea route for the full and effective employment of the target of coastal shipping visualised. We have set down the problems facing coastal shipping to-day, both in India and in other countries and the need felt in all these countries for bringing about co-ordination between the rail and the coastal shipping forms of transport. So far as India is concerned, we have suggested the steps to be taken to achieve co-ordination, both as regards the mechanics of diversion of traffic and the finanical implications arising out of the diversion of cargo to the sea from the rail mode of transport. In separate chapters we have commented on the feasibility of introducing through booking arrangements by the rail-*cum*-sea route and also on item 2 of our terms of reference, regarding the setting up of a standing machinery for co-ordination purposes. We have also included a

Chapter giving our general suggestions for improving coastal shipping operations and for making the sea route more attractive and popular to the shipper. Finally, a chapter has been included giving a summary of our recommendations.

11. We wish to record our thanks to the Chambers of Commerce, the Railway Board, the Indian Coastal Conference, the various Port Authorities and the Maritime State Governments, particularly the Government of Saurashtra, for replying to our questionnaires and more generally for the trouble taken by them to tender both written and oral evidence before us. We were benefited greatly by our discussions with them and we derived invaluable assistance from the detailed evidence given by them. We thank also the Planning Commission and the Coal Controller who provided us with detailed statistics and other information pertaining to our study. Our acknowledgments are also due to Shri M. A. Master who met us in his own capacity and the members of the team of American experts led by Mr. Holmsquist. Our thanks are also due to the Director-General of Shipping and individual Railway Administrations for the assistance rendered by them during our enquiry and for the arrangements made in connection with our work and tours. We must specially record our appreciation of the work of Shri Aravamuthan and his officers for their valuable report on the accounts of the selected Shipping Companies as also of the work of Shri Mahadevan, the Secretary and the members of the staff who have very often worked under heavy pressure and who have carried out their work efficiently and conscientiously.

CHAPTER I

COASTAL AND ADJACENT TRADES

Historical and General Background

Coastal shipping has always been regarded as an important sector of national activity in all maritime countries and has been reserved in most of them for their own nationals. Besides being an essential form of transport well suited for transportations of bulk cargoes at low cost over long distances between certain sections of the country, it provides the best support for the national shipbuilding industry and employment for a large number of marine workers and others in connected industries. It also serves as a training ground for the country's overseas shipping and provides a nucleus of vessels and personnel for overseas use in times of emergency. For this purpose, it constitutes the first reserve, as it is employed in domestic waters and is always readily available. An adequate coastal fleet is thus not only an economic necessity but also a valuable asset in times of emergency.

2. The importance of coastal shipping to India with its geographical position and its long coast line having access to the sea on three sides needs no special emphasis. India has great maritime traditions. Water transport had developed in this country and was utilised on a large scale, even from days before recorded history. Indian shipping which flourished up to the beginning of British domination in India received thereafter a serious setback and gradually become almost extinct. Over the last 80 to 100 years, several British Lines progressively established themselves in India's seaborne trade and a few of them also catered to the coastal trade. Early in this century, attempts were made by several Indian shipping companies to operate in the coastal trade, but most of them failed on account of the ruthless competition from the foreign interests that had established themselves.

3. Recent Indian Shipping history may be regarded as having commenced with the establishment of the Scindia Steam Navigation Co. Ltd., in 1919. In the beginning, it also met with serious competition from the British India and the Asiatic Steam Navigation Companies; but by 1923, when the Company had shown its staying power and the strength of its resources by surviving a fierce rate war, the British Companies entered into a ten-year Agreement with it. Under this Agreement, the Company was allotted a small share in the coastal trade, subject to certain conditions.

This Agreement was subsequently replaced by a Tripartite Agreement in 1934, under which it was admitted as a member of the Constal Conference and received a 30/40 per cent share in the different sectors of the coastal trade.

4. At this time, the other Indian companies which were in existence were all small companies operating on the Malabar Coast. Owing to competition and frequent rate cutting in this sector, Government were obliged to intervene, and in 1935, the then Commerce Member, Sir Joseph Bhore, used his good offices to secure a quota of 85 per cent. of the West Coast trade to the smaller companies, leaving the balance of 15 per cent. to the three members of the Coastal Conference.

5. The repeated failure of numerous Indian companies and the travails of the Scindia Company grave rise to a strong agitation in the twenties for the rapid development of the Indian Mercantile Marine and for reservation of coastal trade for Indian ships. Several proposals were brought before the Legislature for the development of the mercantile marine, for reservation of coastal trade and for the fixation of minimum freights and fares on the coast to eliminate rate wars. But these proposals did not make any worthwhile progress.

6. The Tripartite Agreement which was originally entered into by Scindias for a period of five years from 1934 was allowed to continue till 1939, when the World War II broke out. Owing to the pre-occupations of Government during the war, hardly any attention was paid to the development of shipping; but the cessation of hostilities and the advent of Independence brought about a complete change in the position.

7. With a view to formulating a National Shipping policy, a Reconstruction Policy Sub-Committee on Shipping was appointed in 1945. That Committee, whose report was submitted early in 1947, recommended, among other things, that the ultimate target for Indian shipping should be fixed at two million tons gross. They also recommended that coastal trade should be reserved for Indian shipping and that a licensing scheme should be introduced for the purpose. These recommendations were accepted by Government and the Control of Shipping Act, 1947, which was originally enacted for the purpose of regulating Indian shipping by a system of licensing to ensure orderly movement of essential cargoes on the coast in the immediate postwar period, when tonnage was in short supply, was amended in 1948, to bring within its purview foreign ships engaged in the coastal trade. Government's policy of complete reservation of coastal trade was announced in August 1950 and as a corollary, the previous Conference consisting of British India, Asiatic Steam and Scindia Steam was reconstituted with almost all the Indian companies

as Members and the two British companies as Associate Members. Foreign tonnage employed on the coast has since been progressively eliminated, and from 1952 onwards coastal trade is being catered to entirely by Indian companies. The British companies also resigned thereafter from the Conference.

Volume of trade and tonnage employed

8. Historically, the trade between India, Pakistan, Burma and Ceylon has been regarded as constituting the coastal trade and the same group of ships has been catering for all these sectors. Prior to 1950, the same Conference also regulated the commercial arrangements such as fixation of quotas and freight for all the sectors; but subsequently a separate Coastal Conference was set up, and different Conferences for other sectors. These latter have been replaced recently, by rate agreements.

9. Before the Second World War, the Burma rice trade formed a substantial part of the above coastal trade and assisted Scindias in consolidating their position. According to the figures given in Appendix V to the Reconstruction Policy Sub-Committee's report out of a total trade of 7.1 million tons in the year 1938-39 in undivided India, Burma and Ceylon trade, the India-Burma trade constituted 3.8 million tons, the coastal trade (including the present India-Pakistan trade) 2.4 million tons and the Burma-Ceylon trade 3.7 lakh tons. In the coastal trade itself, the movement of coal and salt by the Conference vessels was limited, as tramps carried substantial quantities of coal, while a good proportion of salt imports which also moved in tramps, was from Aden.

10. The War brought about some important changes in the coastal and adjacent trades. A part of the British fleet was requisitioned and withdrawn from the coastal trade and some Indian ships were also requisitioned. The Burma rice trade dwindled and, under the priority system, coastal ships had to carry large quantities of coal and salt as railways were hard pressed with other essential movements. At the end of the war, the Indian fleet had gone down to about 1 lakh GRT and the total volume of trade, had also been considerably reduced. During the next few years, several new Indian Companies were floated. By 1950 the coastal trade was catered to by 18 Indian Companies with a gross tonnage of 2.47 lakhs, as against nine Companies in 1939 with a gross tonnage of 1.25 lakhs. In 1951, the total volume of coastal and adjacent trades was 41.74 lakh tons, of which the coastal trade (including West Coast trade) was 24.49 lakh tons, and the adjacent trades 17.25 lakh tons. In 1952, the total trade was 42.99 lakh tons, of which the coastal trade was 26.08 lakh tons and the adjacent trades 16.91 lakh tons. More recently the Burma rice trade has dwindled and become less regular; the Pakistan trade has shrunk considerably and the Burma-Ceylon rice trade is practically lost to Indian shipping. The figures of cargo carried by *Indian shipping*

(including passenger-*cum*-cargo vessles) in these trades for the last 4 years are appended below:—

(In DWT)

Year	India/ Burma	India/ Pakistan	India/ Ceylon	Other Sectors
1952	3,23,135	73,560	54,262	95,126
1953	3,47,909	42,619	37,539	76,143
1954	3,95,575	23,574	44,659	11,344
1955	1,89,752	27,428	95,565	58,158

The adjacent trades, which in pre-war years even exceeded the volume of the coastal trade considerably, have now thus shrunk to smaller proportions.

If Burma/India rice trade is more regular, and if the Indian Lines are able to secure a share of the Burma/Ceylon rice trade as well as of the Calcutta, to Rangoon and Colombo coal cargoes, the adjacent trades may provide scope for employment of a larger tonnage in future.

Earnings of Indian Companies in coastal, adjacent and overseas trades

11. The freight and passenger earnings of Indian Companies in the coastal and adjacent trades on the one hand and in the overseas trades on the other, are given below:—

Year	Coastal and Adjacent trades	Overseas trade
		(Rupees in Crore s
1947-48	6·23	2·6
1948-49	7·22	5·4
1949-50	8·05	5·8
1950-51	9·18	7·3
1951-52	10·36	9·66
1952-53	12·13	9·6
1953-54	11·92	8·6
1954-55	11·06	10·6

Coastal & adjacent trades in relation to total trade

12. The total seaborne trade of India is approximately 20 million tons. The coastal and adjacent trades form roughly about 15 per cent. of this trade. At present, however, only 5 per cent. of India's overseas trade is being carried in Indian ships. In terms of tonnage, the coastal fleet is roughly 50 per cent. of the total Indian-owned tonnage and the coastal earnings also bear approximately the same proportion to the total earnings of Indian shipping.

Tonnage employed and traffic in coastal trade

13. The tonnage employed and the volume of cargo carried on the coast (including West Coast and Passenger services) during the last eight years has been as follows:—

Year	Tonnage employed in the coast in GRT					
	Indian			Pakistan	British	Grand Total
	Owned	Chartered	Total			
1948	150,558	42,688	193,246	66,772	255,015	515,033
1949	192,779	42,827	235,606	59,008	157,062	451,676
1950	201,959	38,779	240,738	..	70,483	311,21
1951	217,202	19,268	236,470	..	13,021	249,491
1952	255,159	30,274	285,433	..	6,272	291,705
1953	257,217	38,147	295,364	..	..	295,364
1954	276,199	42,332	318,531	..	..	318,531
1955	252,747	15,681	268,428	..	..	268,428

Year	Coastal Cargo moved in D.W.T.			
	Indian	Pakistan	British	Total
1948	1,285,272	48,086	1,102,727	2,436,085
1949	1,677,012	42,483	969,041	2,688,536
1950	2,102,759	..	456,441	2,559,200
1951	2,306,101	..	142,158	2,448,259
1952	2,469,860	..	137,950	2,607,810
1953	2,884,341	..	..	2,884,341
1954	2,882,633	..	..	2,882,633
1955	2,551,180	..	..	2,551,180

NOTE.—Separate figures for liftings by chartered vessels are not available

Chartered tonnage

14. Upto 1951, the two British Companies operating on the coast *viz.* British India and Asiatic were issued licences for approximately 60 ships, which were employed intermittently on the coast, and of which only about 20 were actually employed in the coastal trade at any one time. By 1952, this tonnage was entirely withdrawn, but this was for a time made up by Indian companies employing chartered tonnage. Subsequent to 1955, however, chartered tonnage has been permitted only in temporary replacement of owned tonnage withdrawn from the coast and in exceptional cases for special reasons.

As a result of these limitations and the step rise in charter rates since 1954, the volume of chartered tonnage has gone down as will be seen from the undermentioned figures, and chartered tonnage cannot therefore be relied upon for planning:—

Year	No. of chartered ships	GRT
1951	3	9,833
1952	15	70,132
1953	6	28,138
1954	10	44,151
1955	3	10,901

Pattern of coastal trade

15. The following figures indicate the pattern of the purely coastal trade during recent years:—

Year	Total coastal tonnage	Coal	Salt	Food-grains	Cement	General and miscellaneous goods	Total
1951 .	217,202	687,854	447,034	133,712	202,898	834,603	2,306,101
1952 .	255,119	786,811	484,017	173,732	188,682	836,618	2,469,860
1953 .	257,217	1,242,752	437,216	185,335	192,050	826,988	2,883,541
1954 .	276,189	1,085,184	447,963	278,295	250,522	820,669	2,882,633
1955 .	252,747	1,014,531	435,892	89,873	217,672	796,202	2,554,170

As the above figures indicate, coal, salt and cement together constituted roughly 40%, 16% and 8% respectively of the total coastal trade in 1955 and the balance was made up of general cargo including food-grains.

West coast trade

16. The Indian Coastal trade has been traditionally considered as falling into two distinct sectors, *viz.*, the West Coast trade *i.e.*, the trade between Kandla and Tuticorin, and the Wider Coast trade, *i.e.*, all the remaining coastal trade including that between the East and the West coast and the purely East Coast trade.

Under an agreement between members of the Coastal Conference, vessels employed exclusively on the West Coast are small vessels of 3,500 DWT or under, while larger vessels are employed in the Wider Coast which includes the inter-port trade on the East Coast.

The distribution of the coastal fleet between these two sectors as in 1956 was as follows:—

	No. of ships	GRT
West Coast	24	0·42 lakhs
Wider Coast	42	2·04 ,,
Total . .	66	2·46 ,,

By an arrangement made by the Conference, a ship employed in the Wider Coast may not move cargo between West Coast ports except when it carries cargo for a port on the West Coast for discharge, in which case it may lift cargo only to the extent discharged and that only to a port where it is already scheduled to call. This arrangement has been made to safeguard the interests of the smaller companies.

The West Coast trade is catered to by ships based on Bombay, moving north or south according to requirements of trade.

General cargo trade

17. According to figures furnished by the Conference, the figures for the general cargo trade in the West Coast trade and the Wider Coast trade were as follows:—

(In lakhs tons).

	Wider Coast	West Cost	Total
1952	5·10	6·89	11·99
1953	5·01	6·83	11·84
1954	5·78	6·01	11·79
1955	4·87	6·62	11·49
1956	2·87	6·28	9·16

Of the general cargo trade of over a million tons, in all the years since 1952 except in 1956, about 6 lakhs tons is accounted for by the West Coast trade. It will be seen, however, that the volume of general cargo trade over the last 3 years has fallen in the wider Coast trade. This is due to the fact that fewer general cargo ships have been berthed in this trade owing to delays suffered by such ships at some of the major ports. This also indicates that some more general cargo of the order of at least 2 or 3 lakh tons could be secured if regular general cargo services are resumed in the Wider Coast sector.

Conference arrangements and variations of freight rates in coastal trade

18. As stated earlier, the Coastal Conference was reconstituted in 1951 and practically all Indian companies (subject to a minimum ownership of 2 vessels of 1,000 GRT) are eligible to be members of the Conference. Prior to the reconstitution, the Tripartite Conference, and subsequently the new Conference was responsible for the fixation and variation of coastal, freight rates. Since 1951, however, the following procedure has been adopted in respect of the undermentioned items:—

Coal.—As the bulk of coal moved by sea is on account of railways, proposals for variation of rates are placed before Government by the Conference and the changes as agreed to by Government are implemented.

Andamans Timber.—This traffic if of the order of 20,000 tons of logs per annum besides 20/30,000 tons of logs moving on account of Messrs. P. C. Ray & Co. and about 10,000 tons of sawn timber. So far as the cargo moving on Government account is concerned, variations in rates are agreed to by the Ministry of Agriculture, in advance.

Foodgrains.—The movements of foodgrains on the coast are limited and there are tariff rates for the principal movements. The Food Ministry is, however, consulted in advance regarding any modifications in which it is interested.

Salt.—Upto 1951, large quantities of salt used to be imported from Aden by tramp steamers. In this background salt rates from Saurashtra were negotiated annually between the Conference and the Salt Manufacturers, having regard to the current rates for Aden salt. Subsequent to 1951, the import of foreign salt was discontinued; but the procedure for fixation of the freight rate from Saurashtra has remained.

As for Tuticorin salt, it has been subject to a differential below the Saurashtra rate. This differential was previously fixed at Rs. 8, but was subsequently reduced and now stands at Rs. 6.

General Cargo.—The Coastal Conference generally varied the rates at their discretion both in regard to general increases as well as of individual items.

Powers of Government

19. In all negotiations concerning variations in the above rates, the goods offices of the D.G. of Shipping are utilised in reaching a settlement. Apart from this, under Section 6 of the Control of Shipping Act, Government also possess powers to fix freights and fares in the coastal trade, with or without an enquiry by a Board, for the setting up of which authority is vested in Government by the Act. In exercise of these powers, Government have so far set up three Enquiry Boards. In cases of minor complaints, the D.G. of Shipping takes up the matter directly with the Conference.

Recent variations in coastal rates

20. In 1951, the freight rates were subject to two general increases. From 1st January, 1951, the rates except for bulk cargoes like coal, salt and cement, were restored to the level ruling prior to 16th May, 1950, which meant an increase of 10%. These rates were again increased by 15% with effect from 1st May, 1951. The rates for salt and cement were increased by 10 to 15 per cent with effect from 15th February 1952, but they were, however, reduced from 16th January, 1954 by about 10/15 per cent; thereafter the rates for cement were again increased from 1st April, 1955 to the 1953 level. The increase in respect of rates for coal with effect from 1st April 1952 was of the order of 10% for the majority of ports and of 35% for the port of Madras.

The Conference proposed an increase in freight rates of 10% on coal and general cargo with effect from 1st June, 1955; but this was not agreed to by Government and it was decided that a general enquiry should be undertaken by us as to the reasonableness of the present level of rates, having regard to the costs of operation of coastal shipping.

Subsequently, on further representation by the Coastal Conference Government agreed to an increase in the general cargo rates by 5% from 15th October, 1955 and another 5% from 1st April, 1956.

Similarly, an increase of 5% was agreed to for coal from 15th October, 1955 and Government have given an assurance that such increase for coal as is agreed to on the basis of the recommendations of this Committee will be implemented with retrospactive effect from 1st April, 1956.

CHAPTER II

SEA AND RAIL BORNE TRAFFIC ALONG THE COAST AND BETWEEN COASTAL AREAS

1. As factual material for an adequate study of the problem of rail-sea co-ordination was not available, the Railway Board had arranged for collecting the necessary information regarding the volume of different types of traffic carried by the rail and the coastal shipping modes of transport in the coastal area.

The Railway Board have been good enough to place this material at our disposal and the following analysis is based on it:—

Traffic by sea route

2. The procedure adopted for compiling the figures was to analyse the returns submitted by the shipping companies to the D.G. Shipping under the Control of Shipping Act. These returns, besides providing the essential particulars in respect of ports of loading and discharge, name of the commodity and the tonnage, contained separate figures under 13 different commodity heads, *viz.*, coal, salt, food-grains, military cargo, cotton, cotton piecegoods, hessian, tea, coir, copra, timber, cement and iron and steel, and under a separate general heading "miscellaneous cargo" for other items. The loading and unloading manifests of Scindia Company were also examined to determine whether there were any other individual commodities in which substantial traffic was moving under the heading "miscellaneous cargo"; but it was found that there were no such commodities in which the traffic amounted to more than 2,500 tons per year.

3. The analysis of the figures of sea movements, on the basis of the data available for the years 1952-53, 1953-54 and 1954-55, indicates that the position was as follows:—

(i) *Coal.*—This is the most important commodity moving in the coastal trade and accounts for nearly 40 per cent. of the total cargo. Practically, the entire traffic is loaded from Calcutta where it is received from the Bengal and Bihar coal fields and the coal moves to Madras, Cuddalore, Tuticorin and Cochin. Upto 1954, an average of two shipments per month used to move to Marmugao. There are occasional movements for bunkers to Bombay. Also, prior to 1952, some coal used to move to Saurashtra but this traffic has now stopped.

The bulk of the movements of coal by the sea route is on railway account and only limited quantities of industrial coal move to Madras and some bunkers to the various ports.

The Central and Western Railways obtain their coal by the sea route occasionally, when they have to resort to sea transport on account of non-availability of adequate railway facilities.

(ii) *Salt.*—Salt is the second important commodity in coastal trade and accounts for roughly 4/5 lakh tons per year. Salt is booked from Kandla/Saurashtra ports and Tuticorin and the destination in all cases is Calcutta. In Calcutta the salt is received in golahs and thereafter despatched by road, rail or river for distribution in Assam, West Bengal and parts of Bihar and Orissa. It has been estimated that approximately 2·2 lakh tons of salt are moved by rail from Calcutta to the interior, each year. There is also a limited salt movement from Saurashtra to Cochin for the requirements of the Travancore Chemicals, at Alwaye.

(iii) *Food-grains.*—The main food-grain movements on the coast are from Visakhapatnam, Masulipatnam and Kakinada for Cochin and Calicut. These movements are regular but the sea route is utilised only when rail facilities are not available. There are other small movements from Bombay to Saurashtra or Malabar ports, mainly of imported food-grains which cannot be relied upon for purposes of planning.

(iv) *Cement.*—Cement has moved from Sika, Okha, Tuticorin and Cuddalore to Calcutta. These shipments have, however, recently gone down, consequent on the import of foreign cement and the policy of the State Trading Corporation to arrange for regional distribution of Indian cement.

(v) *Cotton.*—The main movements of cotton are from Bombay to Cochin, Tuticorin and Calcutta and from Tuticorin, Porbander and Veraval to Bombay.

(vi) *Cotton piecegoods.*—The total quantity moved by sea is about 14,000/17,000 tons per annum and the principal movements are from Bombay to Saurashtra and Malabar ports.

(vii) *Hessian.*—The bulk of the hessian is booked from Calcutta and the destination ports are Bombay, Cochin and Madras.

(viii) *Tea.*—The bulk of the tea movements originates from Calcutta, the destination ports being Bombay and Madras. Cochin also sends a certain amount of tea to Bombay.

(ix) *Coir.*—The total movement is of the order of 10,000 tons per year and the traffic moves from Malabar ports to Bombay

and Saurashtra ports. A small quantity is also booked to Calcutta.

(x) *Copra.*—Like coir, copra also moves from Malabar ports mainly to Bombay.

(xi) *Iron and Steel.*—The total movement is about 11,000 tons per annum and is mainly from Bombay and Calcutta. From Bombay, the products move to Saurashtra and Malabar ports, and from Calcutta the movements are mainly to Bombay and Madras.

Miscellaneous cargo.—This moves mainly from Bombay, Calcutta and Cochin and the main destinations are the major ports of Bombay, Cochin, Madras and Calcutta.

Pattern of movements

4. The total movements of coastal cargo, on the West Coast and the Wider Coast, in the East to West and the West to East directions, were as follows:—

(In tons

Direction	Year	West Cost	Wider Cost	Total
West to East	1952-53	423,247	551,728	974,975
East to West	1952-53	240,710	1,195,559	1,436,269
West to East	1953-54	460,451	563,845	1,024,296
East to West	1953-54	195,397	1,583,708	1,779,105

In general terms, the pattern of traffic has been as follows:—

(i) On the West Coast, the traffic from Bombay northwards is less than in the opposite direction, while from Bombay southwards it is heavier than in the opposite direction.

(ii) On the Wider Coast, the volume of traffic from West to East is only a third of the traffic in the opposite direction.

(iii) Of the total coastal cargo, the traffic in the West to East direction is roughly 60 per cent. of the traffic in the other direction.

On the West Coast the volume of traffic between Bombay and Kandla is less than that between Bombay and Cochin, and the traffic is comparatively light on the Cochin/Tuticorin Section, there being very little movement between Tuticorin and Cochin.

On the Wider Coast, the traffic is heavy from East to West upto Madras, after which it gradually decreases. In the reverse direction, it gradually increases from Kandla upto Cuddalore.

Normally, in the Wider Coast the ships are running light from West to East while in the West Coast trade the ships are running with spare capacity south to north towards Bombay.

Traffic by rail route

5. The figures in respect of rail movements were collected taking into consideration all movements from within 200 miles of any port to any place within a similar distance of any other port. A scrutiny was made in respect of all items whose movements exceeded 1,000 tons per annum. Figures were collected for the year 1954-55 which was the latest year for which they were available, and they may be regarded as representative of the normal pattern of traffic as the conditions in that year were not in any way abnormal.

From the analysis, it was ascertained that the total volume of bulk movements other than coal within the zones referred to above was approximately 7.2 lakh tons. Out of this 251,226 tons or roughly one-third moves between areas within 1/50 miles of ports, and the breakdown of the balance, *viz.*, 4.68 lakh tons is as follows:—

	Tons	Percentage of total
Between an area within 50 miles of a port and one within 51 to 100 miles of another	1,68,000	23·4
Between an area within 50 miles of a port and one within 101 to 200 miles of another	2,57,300	35·7
Between an area within 51 to 100 miles of a port and one within 51 to 100 miles of another	6,000	0·8
Between an area within 51 to 100 miles of a port and one within 101 to 200 miles of another	20,400	2·8
Between an area within 101 to 200 miles of a port and one within 101 to 200 miles of another	15,900	2·2

It would not be correct to treat all the 7.2 lakhs of tons detailed above, as being potential traffic for diversion by coastal shipping. For example, there will be little to be gained by diverting traffic between an area within 101 to 200 miles of a port and another within 101 to 200 miles of another port, as generally, wagon detentions involved by adopting such a course are not likely to be substantially less than when traffic is booked by the all rail route. Again, where the ports are close to each other, as in the cases of

(i) Cuddalore and Madras;

(ii) Cochin and Calicut or Mangalore;

(iii) Masulipatam and Madras, etc., etc.

diversion to the sea route of traffic *via* such ports has little advantage, particularly when the traffic does not both originate and terminate at the port town itself, but does so from a place some miles inland.

There are also certain commodities, such as potatoes (moving in substantial quantities between the Nilgiris and Calcutta), which, on account of their perishable nature, are best carried by rail.

Making due allowance for these considerations, we find that the traffic other than in coal, which is now moving by the rail route and diversion of which to the sea route may be considered, will be of the order of 280,000 tons per year, made up as follows:—

(In tons)

	East to West	West to East	Total
West Coast	7,000	25,000	32,000
Wider Coast	152,000	100,000	252,00
TOTAL	159,000	125,000	284,000

A more detailed breakdown of this quantity is given in Annexure IV.

6. The following remarks are offered in respect of the principal items, the figures given pertaining to the year 1954-55:—

(i) *Aluminium.*—2,788 tons of Aluminium ingots moved from Alwaye (near Cochin) to Belur (near Calcutta).

(ii) *Cement.*—From Dalmiapuram, situated 85 miles from Cuddalore, the following quantities were moved to the undermentioned destinations:—

Bombay	4,933 tons.
Calcutta	27,573 "

(iii) *Coir.*—3,469 tons of coir were booked from Cochin and areas within 50 miles thereof to Calcutta.

(iv) *Cotton.*—Movements of Cotton from different stations in Saurashtra to area reached *via* the ports of Navlakhi and Bhavnagar totalled 6,409 tons.

(v) *Food-grains.*—Taking account only of the regular movements from Andhra ports, the figures were as follows:—

					Tons
Masulipatam and its hinterland			to Calicut and areas served by port		12,169
do.	do.	do.	Cochin	do.	22,400
do.	do.	do.	Bombay	do.	3,677
Kakinada	do.	do.	Bombay	do.	2,912
do.	do.	do.	Calicut	do.	25,244
do.	do.	do.	Cochin	do.	36,985
Vioshakhapatnam	do.	do.	Calcutta	do.	19,328
do.	do.	do.	Bombay	do.	6,407

(vi) *Hessian.*—Calcutta despatched by rail 5,782 tons of Hessian to Bombay. During the same year, 9,276 tons of Hessian were moved by sea between the same ports.

(vii) *Iron and Steel.*—6,636 tons of Iron and Steel were moved from Calcutta to Bombay. 9,640 tons were despatched to Ahmedabad which is within 200 miles of Bhavnagar.

(viii) *Manures.*—17,905 tons of Manure were moved from Cochin to Mangalore, Calicut and Madras. This Manure is the product of the Fertiliser Factory at Alwaye which is 20 miles from Cochin.

(ix) *Coconut Oil.*—4,922 tons moved from Cochin and its surroundings to Madras and 6,980 tons to Calcutta.

(x) *Oil Cake.*—13,327 tons of Oil Cake were despatched from various Saurashtra stations to Poona area.

(xi) *Oil Cake.*—13,327 tons of Oil Cake were despatched from place by rail from Bhavnagar, Bombay and Cochin Zones. 2,987 tons were booked from Ahmedabad to Madras and 10,550 tons to Calcutta. From Bombay 5,725 tons were sent to Madras and 17,887 tons to Calcutta. Coimbatore which is 136 miles from Cochin booked 4,138 tons to Calcutta and 2,768 tons to Bombay.

(xii) *Rubber.*—There is cross movement of Rubber and Rubber products between Bombay and Calcutta. 4,188 tons moved from Calcutta to Bombay and 2,903 tons in the reverse direction by rail.

(xiii) *Soda Ash.*—From Saurashtra 5,000 tons of Soda Ash moved to Bombay and 6,500 tons to Calcutta.

(xiv) *Soap.*—4,238 tons of Soap were despatched from Bombay to Madras.

(xv) *Turmeric.*—3,612 tons of Turmeric were railed from Duggirala (near Masulipatam) to Calcutta.

7. It will be observed that the total volume of general cargo trade available for diversion from the rail to the sea route would be only of the order of 2 to 3 lakhs, which, as we shall indicate is very small compared to the requirements for the full employment of the coastal fleet when it attains the target visualised in the Plans.

CHAPTER III

FREIGHT RATES AND SERVICE CHARACTERISTICS BY THE RAIL AND THE SEA ROUTES

Freight rates by rail and sea compared

The main consideration which influences a shipper in the choice of the rail or the sea route is the relative cost by the two routes. We shall now compare the freight rates by the rail and the sea routes for principal commodities moving on the coast and refer also the other considerations which influence the choice of routes.

2. The following statement indicates the relative rates, for the more important movements, at present in force, *i.e.*, the rates in force prior to October, 1955 enhanced by 5 per cent. as from 15th October 1955 for all commodities including coal but excluding salt and a further 5 per cent. as from 1st April, 1956 for all commodities but excluding both coal and salt:—

Commodity	From	To	Sea freight per ton	Rail freight per ton
			Rs.	Rs.
Coal	Calcutta	Madras	28 6 0	23 3 0
	,,	Cuddalore	29 6 0	25 5 0
	,,	Tuticorin	29 6 0	27 9 0
	,,	Cochin	32 0 0	27 11 0
	,,	Bombay	32 0 0	23 12 0
	,,	Saurashtra (Bhavnagar).	39 14 0	25 10 0
Salt	Saurashtra (Bedi Bunder)	Calcutta	31 4 0	51 3 0
	Tuticorin	do.	25 4 0	50 8 0
Cement	Okha	Bombay	22 0 0	31 13 0
	,,	Calcutta	37 8 0	53 3 0
	Cuddalore	do.	26 8 0	44 9 0
	Tuticorin	do.	27 8 0	50 12 0
Rice	Kakinada	Cochin	33 0 0	34 14 0
	Masulipatam	do.	33 0 0	33 5 0

Commodity	From	To	Sea freight per ton	Rail freight per ton
			Rs.	Rs.
Cotton	Bombay	Madras	53 10 0	97 8 0
	,,	Calcutta	60 2 0	137 6 0
Cotton piecegoods	Bombay	Cochin	69 6 0	134 9 0
	,,	Madras	61 14 0	104 8 0
	,,	Calcutta	72 3 0	146 14 0
Hessian	Calcutta	Bombay	49 6 0	128 9 6
	,,	Cochin	89 11 0	147 5 0
	,,	Madras	49 6 0	111 12 0
Tea	Calcutta	Bombay	83 9 0	157 14 0
	,,	Okha	111 2 0	189 1 0
Coir	Cochin	Bombay	41 0 0	87 11 0
	,,	Calcutta	42 8 0	109 1 0
Iron and Steel (Structural Steel)	Calcutta	Bombay	46 0 0	94 7 3
	,,	Madras	38 0 0	82 6 0
Hardware	Calcutta	Bombay	45 8 0	181 6 0
	,,	Madras	45 8 0	157 9 0
Fertilisers	Calcutta	Madras	33 0 0	41 9 0
G. N. Oil	Madras	Calcutta	38 0 0	83 0 0
Soda Ash	Okha	Bombay (under 200 tons.)	29 0 0	31 13 0
		(Over 200 tons).	24 0 0	

NOTES.—(i) The rail freight rates for coal shown in comparison above have been quoted by the direct all rail route from Kusunda to the destination stations concerned.

(ii) The sea freight rates for Cotton, Cotton Piecegoods, Hessian and Tea shown above are on a dead weight ton basis.

3. It will be seen that in regard to most commodities, the sea freight is, to varying extents, more favourable than the rail freight and it is only in the case of coal that freight advantage is with railways.

4. Railways have a telescopic system under which the rates are lower for the second and third slabs. In the case of coal hauled over long distances, railways, as a matter of policy, have specially low rates. The shipping rates are, however, fixed at flat rates between different ports, mainly based on what traffic moves and what "the traffic can bear".

5. The figures of sea freight given above, however, represent the bare freight payable to shipping companies and, similarly, the rail freight given is the amount payable to railways.

6. In the case of railways, the rail charge represents the total cost of the movement, with the addition only of extra expenses for transport between the senders' godown and the railway station and again from destination station to consignees' warehouse.

In the case of shipping, however, even assuming that cargo is delivered by the shipper at the transit shed, over and above the amount paid to shipping companies as freight, the cargo has to bear handling charges, lighterage or boat charges, wharfage, landing and shipping fees, and insurance charges hereinafter referred to. In addition, at major ports, the Chamber of Commerce measuring fee has to be paid and handling and clearing agents' charges has also to be paid, whenever their services are used. If cargo originates from the interior an addition has to be made of railway freight rates to the port. Port demurrage charges are also payable at destination, if the cargo is not cleared within the free period.

7. These charges together add up to a sizeable amount compared to the freight, and as an example, we quote below the total charges payable for coal exports by the rail and the sea routes to different ports.

Comparative statement showing the rate per ton for Coal by the Direct All Rail Route and by the Rail-cum-Sea Route from Kusumda to Madras, Cuddalore, Tuticorin, Cochin, Bombay, Bhavnagar and Jamnagar

(In Rs. As. Ps.) (+indicates rail-cum-sea rate higher.)

Commodity	Station From	Station To	Route	Rate per ton by the direct all rail route	Rate per ton by the Rail-cum-Sea route via the port of Calcutta: Rly. rate from forwarding stn. to forwarding port	Forwarding port charges	Sea freight	Insurance	Destination charges	Total charges	Difference between the freight by the rail and the sea routes
Coal	Kusumda	Madras	KTB, MLQ, WAT.	23 3 0	11 0 0	2 5 6	28 6 0	0 3 0	1 8 0	43 6 6	+20 3 6
		Cuddalore	Do.	25 5 0	11 0 0	2 5 6	29 6 0	0 3 0	4 11 0	47 9 6	+22 4 6
		Tuticorin	Do.	27 5 0	11 0 0	2 5 6	29 6 0	0 3 0	2 6 6	45 5 0	+17 12 0
		Cochin	Do.	27 11 0	11 0 0	2 5 6	32 0 0	0 3 0	1 10 8	47 3 2	+19 8 2
		Bombay	MGS, NYN	23 12 0	11 0 0	2 5 6	32 0 0	0 3 0	2 0 0	47 8 6	+23 12 6
		Bhavnagar	MGS, AEB	25 10 0	11 0 0	2 5 6	39 14 0	0 3 0	4 8 0	57 14 6	+32 4 6
		Jamnagar	Do.	25 12 0	11 0 0	2 5 6	39 14 0	0 3 0	4 8 0	57 14 6	+32 2 6

The incidental charges together constitute roughly 50% of the sea freight rates and result in the cost advantage being heavily weighted in favour th e rail route as compared with the sea route.

Other considerations affecting despatcher's choice of route

8. The choice of the rail or the sea route by a despatcher does not, however, depend on relative costs alone, but is influenced by certain other factors as well, which are discussed below:—

(i) *Time factor.*—This factor is unquestionably in favour of railways.

(ii) *Handling problem.*—Coal is the commodity moving in the largest quantity by coastal shipping and it originates in the interior and moves *via* the port of Calcutta. Often it has to be distributed to the interior from the receiving port. There are other commodities also which originate in the interior and have to be moved to a port by rail before shipment is possible. Such arrangements necessitate several handlings of the commodities with consequent risk of damage or loss. As against this, cargo by rail in many instances is loaded directly into a wagon at the siding serving the consignors' works and is unloaded at sidings serving the consignees' storage facilities.

(iii) *Insurance.*—One of the factors that must be considered by a shipper when deciding whether to transport his goods by rail or by sea is the cost of cargo insurance. Insurance charges are not a factor when cargo is sent by rail; but shipment by sea entails liability for insurance as, except for wilful negligence on the part of the Company's staff in loading and unloading of cargoes, a shipping company is not liable for the loss or damage to goods it carries.

(iv) *Shipper's confidence.*—This is also in favour of railways by reason of the service advantages of regularity and speed which they possess. As against this, the shipping services, particularly, for general cargoes, are irregular and slow, and there appears to be no canvassing for cargo by Shipping Companies except in certain areas in the West Coast.

(v) *Customs procedure.*—On factor which has been mentioned to us as militating against more extensive use of coastal shipping is that in case the sea route is used, there are certain Customs formalities to be observed. Although these are not as onerous as in the case of overseas shipments, shippers prefer to rail their cargoes in spite of a slight freight disadvantage as it saves their having to engage a Clearing Agent for arranging the formalities.

(vi) *Quantity of cargo.*—This is another factor which is taken into account by a shipper when there is a rate advantage in favour of shipping. In general, the shipper would prefer to rail his cargo if the quantity involved is small or the value of the goods is fairly high. As against this, sea route would be his choice where

there is a freight advantage and the quantities are large and the commodities are bulk items not subject to undue risk or damage.

9. According to our estimates, coastal shipping line-haul costs under present conditions, approximate to 4 to 5 pies per ton per mile, whereas rail transportation costs are roughly 6 to 8 pies for the same unit. Shipping is, therefore, the cheaper mode of transport on a ton-mile unit basis, but the additional terminal and other costs referred to earlier and the relative distance by the two routes discussed below vitiate this position.

Route distances

10. *Route distances.*—There are certain ports on the same coast between which the sea route is shorter than the rail route and the following are instances of this distance advantage in favour of shipping:—

	By rail (Miles)	*By sea* (Miles)
Bombay to Bhavnagar	475	144
Bombay to Kandla	585	492
Bombay to Jmanagar	515	442
Bombay to Cochin	1,142	580
Bombay to Tuticorin	1,159	803
Bhavnagar to Tuticorin	1,624	915
Bhavnagar to Cochin	1,607	695
Calcutta to Madras	1,029	655
Calcutta to Tuticorin	1,471	1,265

This advantage, however, gradually disappears and turns in favour of railways in the case of inter-coast trade, and the following are instances of this:—

	By rail	*By Sea*
Calcutta to Cochin	1,463	1,410
Calcutta to Bombay	1,221	1,980
Calcutta to Jamnagar	1,477	2,325
Calcutta to Kandla	1,431	2, 75

11. To sum up, the ultimate preference of the shipper would be determined by a combination of the cost as well as the service and other factors which we have referred to above. In respect of many of the items of cargo moving on the coast, the freight advantage is with the shipping route; but this is offset to a greater or less extent by other factors. Further, during recent years, shipping costs have tended to rise continually owing to rising capital and operating expenses and this has again basically militated against a more extensive use of the sea route by the shipper.

CHAPTER IV

PROBLEMS OF COASTAL SHIPPING INDUSTRY

1. The Coastal Shipping industry has to contend with several problems which affect its costs and hence its competitive position *vis-a-vis* the railways. Some of these are common to shipping industry throughout the world while some apply only in respect of our coastal trade. These problems are briefly discussed below:—

Capital and replacement

2. A statement showing the names of Indian Shipping Companies with particulars of the tonnage employed by them as on 31st July 1956 is attached as Annexure V. Another statement showing the particulars of Paid-up capital of the Companies is attached as Annexure VI. It will be seen that the total Paid-up capital of the private sector is roughly Rs. 20 crores, of which approximately one half may be regarded as invested in overseas trades and the balance is coastal and adjacent trades.

3. In common with the shipping industry in other countries, the most important problem facing Indian Companies is the problem of replacement. In 1949-50, about half the Indian tonnage was overaged. With the scrapping of a number of old vessels, and their replacement by either newly built vessels or by second-hand ships, the proportion of overaged tonnage has progressively declined from 29 per cent. for the entire fleet in 1952 to 14 per cent. in 1955; but there is still a substantial tonnage which will shortly require replacement as will be seen from the following figures:—

Age Group	West Coast		Wider Coast		Total	
	No.	GRT	No.	GRT	No.	GRT
1 to 5 years	1	2,671	6	29,6627	7	32,333
6 to 10 ,,	0	12,776	13	53,506	18	66,282
11 to 15 ,,	4	6,457	12	46,469	16	2,926
16 to 20 ,,	1	1,050	6	27,509	7	28,559
20 years and above	13	18,684	12	35,705	25	54,389
	24	41,638	49	192,851	73	234,489

The main problem in replacement is that of finance.

The cost of building new ships has continuously risen during the last four years and with rising world costs of steel and labour, prospects of its falling appreciably in future are not bright.

The prices of second-hand tonnage have also risen sharply since the second half of 1954 and they have lately risen to peak levels. Just now, it is perhaps even more expensive to buy second-hand ships than new ships, having regard to age and other factors.

As an indication of the seriousness of the problem, it may be stated that the Coastal Conference have given the price of a new 8,000 tons DW coaster (at 1954-55 levels) as Rs. 80 lakhs. The Coastal Conference have similarly indicated the price of a new ship of below 2,000 tons DW as Rs. 35 lakhs and between 2,000 and 3,500 DWT as Rs. 45/50 lakhs. These prices of new ships are not unduly high under existing conditions. As against these, the average initial cost of a ship of 8,000 DWT as now employed in the trade was approximately Rs. 28 to 30 lakhs.

On the basis of these figures, the cost of the entire coastal fleet, if replaced by new ships, would well exceed Rs. 40 crores and assuming that part at least of the fleet will be replaced by second-hand ships, the replacement cost will be of the order of Rs. 35 crores. The requirements for replacements would thus far exceed the available resources of the Shipping Companies.

During recent years, the coastal shipping industry has been unable to attract fresh capital from the investing public and contrary to what may be expected, there have practically been no new entrants in the field after reservation of coastal trade to Indian Shipping. The loan scheme of the Government has covered the gap to some extent, but so far as coastal trade is concerned, as we have indicated in another chapter, only about Rs. 6 crores have been availed of by way of loans.

Operating costs

4. Apart from the increases in capital costs, the operating costs of shipping have also steadily increased, particularly, during the last few years.

The increases have been more or less under all items of shipping operation, including wages, victualling, stevedoring, fuel, port charges, repairs, stores, etc. For instance, while in 1939, a complete crew of 60 cost about Rs. 1,650 per month, the same crew now cost approximately Rs. 8,900 per month. These increases in staff costs have been due both to increases in basic wages as also in the amenities and other concessions given under agreements with the Unions. Officers' salaries have also increased considerably. Victualling charges have similarly gone up.

A good proportion of the coastal fleet uses coal as fuel and the price of coal has increased twice recently. Oil prices are regulated internationally and have increased twice in 1956 and again in 1957 following the closure of the Suez Canal.

Stevedoring charges have also registered substantial increases, particularly after the decasualisation of dock labour and the imposition of Dock Labour Board levies.

The cumulative effect of all these items have been so large that several increases have been made in freight rates in various overseas trades, during the last two or three years.

Port delays

5. One of the most important factors which has affected coastal operators is the delay to ships at ports.

It has been pointed out by the Dock Labour Enquiry Committee that decasualisation of labour at major ports introduced between 1951 and 1953 resulted in a deterioration in output notwithstanding a substantial increase in the wages of stevedoring labour. The Committee recommended the introduction of the piece-rate system for payment to dock labour, and it is being gradually introduced at various ports.

6. There are also certain factors which are special to coastal shipping.

Although coal is loaded and discharged in special berths, there are numerous factors which affect the speedy handling of colliers.

The reasons for the delay in Calcutta are, the absence of a dumping ground for coal and the difficulty in synchronising the arrival of an adequate number of wagons with the needs for loading of ships; limited number of berths allotted to coastal colliers even when ships are waiting; occasional strikes of coal dock labour; inadequate raisings of coal at the mines due to bad weather, floods in the colliery area and occasional bunching of ships. The position has been particularly unsatisfactory at Calcutta since last November and colliers have had to wait for long periods for berths.

As regards the discharging end, after the closure of Marmugao, all railway colliers are sent to the four South Indian ports of Madras, Cuddalore, Tuticorin and Cochin, about 50 per cent. of which is for Madras.

There are only two coal berths in Madras and limited lighter capacity. There is no dumping ground in Madras and it is not always that the requisite number of wagons is made available. Further, one of the berths is sometimes requisitioned for the use of ships bringing other traffics and this also holds up expeditious discharge by colliers. Coal discharging arrangements in Cuddalore are fairly satisfactory but there is periodical difficulty at this port, and at Tuticorin also, due to inadequacy of lighters, occasional boatmen's troubles and surf conditions.

At Cochin, there is at present one coal berth, although a bunkering berth is also frequently used. In this port, dumping space is limited and proves inadequate when the requisite number of wagons is not available.

7. The position of general cargo, ships, particularly in the ports of Calcutta, Vizagapatam and Madras has also been very unsatisfactory.

Coastal ships do not receive any priority or special treatment and as the volume of coastal general cargo trade is small, the Port Authorities are not in favour of reserving a special berth for them. Madras port, for instance, has been congested for a long time now and owners consider it uneconomic to berth general cargo loaders at this port which may have to wait several days for a berth for loading or discharging a few hundred tons.

8. We append below figures of delays to coastal vessels at various ports on the basis of information furnished to us:—

Name of port	Year	COLLIERS			GENERAL CARGO		
		Average No. of days a ship detained for want of berth	Average No. of days a ship remained alongside berth for loading and unloading of cargo	Average load	Average No. of days a ship detained for want of berth	Average No. of days a ship remained alongside berth for loading and unloading of cargo	Average load
Bomba	1951				...	4·1	1,623
	1952				...	4·3	1,452
	1953	Bunker coal imported in this port is discharged into lighters.			...	5·2*	1,388*
	1954				...	6·2	1,532
	1955				...	6·0	1,522
	1956***				...	5·4	1,939
Calcutt	1951	4·9	4·8	6,510	2·1	8·1	3,803
	1952	6·7	4·6	6,160	1·0	7·0	3,014
	1953		(Not obtained)			(Not obtained)	
	1954	1·9	6·0	6,439	2·8	8·3	2,818
	1955	2·7	6·8	6,588	4·1	9·2	3,893
	1956***	4·8	7·9	6,229	3·9	8·9	3,833
Madras	1951-52	1·3	10·6	6,325	1·2	5·1	1,518
	1952-53	2·0	11·0	6,384	2·0	3·9	1,217
	1954	2·0	13·6	6,744	1·6	3·3	1,032
	1955	5·3	10·1	6,705	3·9	4·2	1,340
	1956***	1·9	11·1	6,608	3·3	5·9	1,336
Cochin	1951		(Not available)			(Not available)	
	1952**	...	10·7	6,472	4·1	4·1	1,404
	1953	...	10·8	6,709	2·2	3·6	1,207
	1954	1·0	11·3	7,100	1·1	3·9	1,327
	1955	1·0	12·5	7,115	1·1	4·7	1,640
	1956***	...	13·7	7,517	1·7	5·2	1,990

NOTE :—* For 11 months only.
** From June.
*** Upto November.

We would draw attention to the fact that taking colliers at Calcutta for example, the average number of days a ship was detained for want of a berth in 1956 was 4.8 days as against the previous best performance of 1.9 days in 1954, and that similarly the average time a ship remained alongside berth for loading was 7.9 days as against 4.6 in 1952.

9. Looking at the problem in another way, we reproduce below particulars furnished by Scindias of the time spent by their intercoast ships in steaming and in port for 1938-39, 1946-47 and 1955-56:—

	Total Voyage days	Total steaming days	Steaming days as a percentage of the total voyage days	Total days in port	Days in port as a percentage of the total voyage days
1938-39 . .	8,108	3,680	45·4	4,428	54·6
1946-47 . .	5,569	1,867	33·5	3,702	66·5
1955-56 . .	6,243	1,886	30·2	4,357	69.8

It will be seen from these figures that delays at ports have increased considerably in 1955-56 and that the relation between the time spent in steaming and the time in port has decreased.

10. We have dealt with this matter at some length to point out the serious consequences that follow from such persistent delays.

In the first place, coastal tonnage is limited and it has been estimated by the Conference that the efficiency of the fleet has been reduced by approximately 20 per cent. owing to their reduced utilisation resulting from slower turn-round.

The coastal tonnage is a pool which is used for various movements like coal, salt, timber, Burma rice, etc., on the basis of forward programmes, and any delays at ports not only affect the particular and succeeding schedules but also frequently result in bunching at terminal ports like Calcutta giving rise to further delays.

The most serious consequence of port delays is on the cost of transport.

Assuming that a ship carrying a cargo of coal is delayed 3 days each at the loading and discharging ports, apart from the loss of potential earnings on the next employment, the ship has to incur additional expenditure on the same voyage at the rate of about Rs. 5,000 per day on account of standing charges and fuel and other expenses in respect of the period of delay. The additional expenditure may thus be put at Rs. 30,000, and

if the ship is carrying a cargo of 6,000 tons, this could make a difference of Rs. 5 per ton in the freight rate, which is 10 to 20 per cent. of the total freight rates, in the case of coal. It, in fact, works up to an avoidable national expenditure of half a crore of rupees per year on the transport of coal alone.

The Coastal Conference stated to us that if port delays are obviated, they would be able to make a reduction in the freight rates instead of their having to ask for an increase.

It is obvious in all these circumstances, that in its results, delays at ports is the largest item of cost for coastal operators and that it affects their financial results far more than even the increases in all other operation costs put together.

The delays to general cargo vessels have also had the particularly serious result that the Companies have practically discontinued berthing regular intercoast sailings, with consequences we shall refer to later.

We cannot too strongly emphasise the need to improve the working conditions at ports in every way so that the enormous national loss that results from undue delays to ships is avoided.

11. In view of the importance of this subject, we made a reference to the Ministry of Transport regarding the prospects of improvement in the turnround of coal and general cargo ships during the Second Plan period consequent on the steps being taken to augment the facilities at the major ports and the introduction of the piece-rate system. A copy of the reply from the Ministry of Transport dated 12th March 1957 is reproduced as Annexure VII to this report. It indicates that the traffic handled during peak periods in the five major ports of Calcutta, Bombay, Madras, Cochin and Vizagapatam was 24.01 million tons, against which the actual traffic handled in 1954-55 in these ports was 20·17 million tons. It has been stated that the works already completed and the works taken in hand are designed to provide an additional capacity of 6.75 million tons, raising the total capacity to 30.76 million tons and that the introduction of the piece-rate system is expected to raise the capacity by a further 15 per cent., increasing the total capacity to 35 million tons. This increase in capacity, it is stated, is expected to cover fully the anticipated expansion in trade.

While doubtless the Transport Ministry must be appreciating the importance and magnitude of the problem, we wish to state, firstly that we are sceptical of the "best performance" of each port in any year in the past being taken as the starting point for evaluating its capacity in the future, with due allowance for the improvements to be effected. It is well known that since the year of "best performance" at each of these ports, the cargo handled has been much less than the "best performance"

and that even then the volume handled has been only with considerable detention to ships. Secondly, we wish to stress that planning should be such as to provide adequate surplus capacity at each port as to ensure that there will be reserve capacity for handling during periods of peak traffic without serious detention to ships. Having regard to the facts that traffic at the ports is not uniformly spread out and that during the last two or three years many ships have had to wait for berths and that there are numerous factors which slow down working, it would not, in our view, be sufficient, particularly in the context of the rapidly increasing demands on port capacity, to provide merely for the anticipated traffic on the basis of "average" figures.

We suggest that the provisions made for improving the capacity of ports be reviewed in the light of these remarks.

CHAPTER V

PROBLEM OF CO-ORDINATION IN OTHER COUNTRIES

Problem of co-ordination in other countries

The problems of co-ordination arising from the rapidly rising costs of shipping operation and the limits set by the lower level of rail freights have come up in other countries also and the position in those countries is briefly stated below, as far as we have been able to obtain information regarding them:—

U.K.

2. The coastal shipping companies in the U.K. manage without any financial assistance from the Government, with the exception of certain services in the west of Scotland which are considered necessary in national interests but are not self supporting. There are also no statutory restrictions on foreign shipping operating in the coastal trade; but, in actual practice, except for a few Dutch ships, the trade is catered for by British ships.

3. We append below relevant extracts from the final report of the U.K. Transport Commission, 1931 which considered the problems of co-ordination of various forms of transport:—

"Coastwise Shipping and Ports."

"The Board of Trade Memorandum, referring to coastwise shipping, contained the following:—

> "It must be borne in mind that the existence of an efficient and adequate coastwise shipping service is of manifest importance, especially in time of war or civil emergency. The carriage of coal and other bulk and general cargoes, and the distribution of food discharged at the larger ports from ocean-going ships to smaller U.K. Ports, depend upon coastwise shipping. As almost every large centre of population in the U.K. is situated at or near the sea, the freest, most flexible and most economical distribution of the materials of industry and the means of maintaining life is impossible without full use of sea transport round the coasts".

> "Coasting shipping must not, therefore, be allowed to be crippled by either railways or road competition, since in emergency the railways and the roads cannot alone meet the needs of the situation".

"The Board presume that the general case for the coasting shipping industry will be represented to the Commission by the Shipowners concerned, but it may be that from the nature of the case they would not so fully appreciate or stress its value in time of war and civil emergency, and the Board feel it necessary to emphasise the vital importance of the industry to the country in such times".

"The Transport and General Workers' Union, through their General Secretary, Mr. Ernest Bevin, also submitted evidence. They pointed out that coastwise shipping is a cheap and speedy form of transport; that it serves definite areas, and that it forms a big link with the developing liner traffic as a distributing factor. Its proper development, however, has been greatly handicapped during and since the War, largely on account of the conflict which has prevailed between the coastwise trade and the railways. This has produced instability and in consequence the fleets have not been renewed. Mr. Bevin said that unless by some means sufficient money could be found to renew the coastal service it would be extinguished, and he suggested that "there ought to be an agreement between the railways and the coastal trade by means of some arrangement through a Government Department to put the coastal trade on as secure a basis as the railways are on".

During the War "the process of uneconomic diversion of traffic from the sea to the railways was gravely accentuated. The railway rates were maintained, at the cost of the State, at a level entirely insufficient to cover the cost of transport, whilst coastwise shipping and the ports were left to bear enormous increases in their working expenses". Since the War, however, some of the traffic diverted to the railways has gone back to coastwise, but the entrances and clearances in the coasting trade for 1928 were only 35,800,000 tons net, as against 45,100,000 tons net in 1913".

"We examined the witness at some length regarding the possibility of additional traffic being sent back to coastwise, and the substance of his evidence appeared to be, first, that adequate port facilities must be provided and, second, that there should be co-ordination and co-operation".

"From the point of view of transport it is impossible to dissociate coastwise shipping and ports, since the latter form

the link—the physical junction as it were—between transport by sea and transport by land. Without shipping, the port is useless; without the port, shipping is helpless. Their fortunes are inextricably bound together; each gains at the same time and in the same manner during years of trade prosperity, and each suffers similarly during the lean years of trade depression. In considering coastwise shipping, therefore, we cannot avoid returning to the subject of port facilities."

"On these facts, we can reach but one conclusion, namely, that the first step to be taken to assist coastwise is that of improvement of the ports used by coasting vessels. We realise only too well the effect of the present trade depression on transport of all kinds, but we are confident that this state is temporary only and that better years are approaching. To make ready, therefore, for the increased trade which we anticipate, we feel that attention should be given to the ports so as to prepare and fit them for the part they will have to play. We make this recommendation as a principle but refrain from expressing ourselves in detail in view of the proposals of the Port Facilities Committee now under consideration by the Government."

The Co-ordination of Transport

"No doubt if a state of affairs could be reached whereby every passenger travelled, and every ounce of goods was consigned, by the most economical route and form of transport, many of our present transport difficulties would disappear. Overlapping and unnecessary services would be eliminated; there would be a complete "controlled monopoly" of all transport agencies; the rail, the road, the canal and the coastwise ship would convey just those passengers and goods for which each was best adapted; and the savings effected should enable better services to be secured on existing routes and the establishment of services where, for economic reasons, none exist at the present time. But, as things are today, is such a state of affairs or even any approach to it practicable? Who is to decide, for example, what rail services are desirable in the public interest and what amount of coastwise shipping? Or what goods should in the national interest be sent by rail, road, canal or ship? To propound the question is sufficient to bring home the immense difficulty which it involves."

"We have given the most serious and anxious thought to the whole question, taking into account not merely the roads but all the other means of transport. We confess that for the present we can see no positive solution. Under existing circumstances, any attempt at compulsion or coercion would, we believe, be a great mistake and would be strongly objected to not only by the transport agencies but also by the traders, and any such attempt would probably prove to be quite ineffective in practice. We therefore reject any such proposals. Such enforced "co-ordination" if indeed introduced will not, we are convinced, be in the national interest."

"Although we reject compulsion, we believe that a great deal may be effected by other means. For this purpose we look to the Ministry of Transport. In addition to what may be described as the routine duties of administration, we consider that the Department should keep under constant observation the general trend of development in transport so that progress may be guided and assisted on lines calculated to produce the greatest benefit to the community as a whole."

"Because of the continually changing nature of conditions and in order that the Minister may have at his disposal the best advice available, we recommend the appointment of a permanent Advisory Council on Transport."

"The principal duty of this Advisory Council should be to study transport problems—both in the country generally and in particular areas and to advise the Minister as to the action which he might usefully take to promote the co-ordination, improvement and development of transport generally. * * * We think that by means of suggestion and persuasion the Advisory Council might be able to bring about a co-ordination of transport facilities which might not otherwise be possible."

4. The Commission thereafter discussed different methods of unification, like nationalisation, rationalisation and formation of a public trust to own and operate various forms of transport. They, however, stated that it was not possible for them as a Commission to make any specific recommendations on the subject. The main reason given was that the changes necessary would be of a magnitude, involving financial operations on a very great scale which, they did not consider, could be carried out immediately.

5. The Transport Act, 1947, which implemented some of the recommendations of the Transport Commission, contains certain provisions relating to co-ordination.

Sec. 70 empowers the Transport Commission to enter into and carry out agreements with any person engaged in coastal shipping for co-ordinating the activities of that person with those of the Commission, and in particular, for facilitating the through carriage of goods, for the quoting of through rates and for the pooling of receipts and expenses. Sec. 71 empowers the setting up of a Coastal Shipping Advisory Committee for the purpose of considering and reporting to the Minister on all matters which may jointly affect the interests of the Commission and of those of persons engaged in coastal shipping or which the Minister may refer to the Committee.

In pursuance of these provisions, a Coastal Shipping Advisory Committee was set up in November 1948.

This Committee does not itself discuss freight rate questions, but provides a forum for the discussion of such matters. One of the recommendations of the Committee was the setting up of Conference arrangements between coastal shipping, rail and road transportation to discuss rate questions centrally and locally to avoid any undue competition and also to facilitate negotiation of through booking arrangements and rates.

6. A specific instance of governmental subsidy in Great Britain to traffic conveyed by coastal shipping may here be referred to. Shortly after the outbreak of the Second World War, the Coal Freight Refund Scheme was introduced by the Ministry of Fuel and Power in 1940, when the coasting steamer companies found that their cost of operation went up considerably owing to higher rates of insurance and other rising costs. It was decided that in national interests part of the carriage of coal should be diverted by sea to relieve railways of some congestion, and the Coal-Freight Refund Scheme was started so as to equalise the cost to the domestic and industrial consumers of coal. The scheme, which was known as "The Coasting Freight Equalisation Scheme", was essentially temporary and depended to a material extent upon the general level of railway freights. When a considerable increase in railway freight rates was made in June 1950, it was brought to an end.

7. It will thus be seen that apart from the "Coasting Freight Equalisation Scheme" for coal which was tentatively in operation for some time, no direct government action was taken for securing co-ordination in the U.K. beyond setting up advisory bodies as referred to above and that the problem of co-ordination was left to be dealt with on an *ad hoc* basis by the Transport Ministry on the basis of the proposals that may be put forward by the advisory bodies. It will also be seen that for a long term solution, reliance was placed mainly on the cheaper and more economic operation of the coastal fleet that considerable emphasis has been laid on the imporvement of port facilities for this purpose.

The position of the coastal shipping industry in Great Britain has not, however, improved, and is still causing considerable anxiety to the operators, as will be seen from the fact that the fleet dropped from 1506 vessels of 1·77 million tons DW in August 1939 to 1144 vessels of 1·37 million tons DW in August 1948 and again to 862 vessels of 1·11 million tons in June 1955.

U.S.A.

8. The special features in U.S.A. are that the costs of operation of American shipping are high, there is no subsidy to the coastal trade and both the railroads and coastal shipping are in the hands of private operators.

The following extracts from the report on "Postwar Outlook for American Shipping", submitted in 1946 by the Maritime Commission to the House Committee, bring out succinctly the problems as experienced in that country:—

"The coastwise and intercoastal trades have been restricted to United States vessels by law since 1817.

The coastwise fleet constitutes an important part of the American Merchant Marine.....

Notwithstanding its importance to the national economy and to the national defence, coastwise shipping—with the exception of certain industrial and bulk carriers—was in a precarious position before the War. Vessels were largely overaged and few of them could make more than 12 knots. The industry was in unhealthy financial condition. Rate structures were in many instances non-compensatory. Cargo-handling costs were out of line with those paid by competing mediums....

** **

One of the most complex problems facing the coastwise trade is the replacement of lost and requisitioned vessels. This problem is so inter-twined with other problems that some operators are doubtful of their ability to operate vessels in the future, no matter how advantageously they may be able to purchase them.

** **

Replacement difficulties are further high-lighted by the dry cargo carriers' pre-war financial condition. Operating expenses had risen steadily while reductions in rates made by competitors, principally the railroads had diverted considerable traffic and forced reductions in water rates which, all too often, were already non-compensatory. Hence, many lines

had earnings insufficient to meet capital charges and depreciation, and to provide reserves for replacements.

Since the coastwise trade is protected by law from foreign competition, operators are not eligible for subsidisation.

** **

Whatever replacements are made in the coastwise trade will call for improvements in terminals and cargo handling practices. Labour at the ports forms an appreciable part of the operating expenses of most of the coastwise dry cargo carriers. Such expense can be reduced and the carriers aided financially, if labour saving mechanical devices are installed wherever practicable."

** **

"The coastwise lines feel that, since they are engaged in domestic transportation, their labour costs for handling freight should be related to the costs of other domestic carriers, not those prevailing in dissimilar foreign commerce operations.....

** **

The most important problem facing the coastwise carriers obviously is their relationship with the railroads. The decreasing volume of traffic during the depression intensified competition among the various types of carriers.

** **

The importance of the coastwise trade to the national economy and to national defence dictates its preservation. The achievement of this objective will require the co-operation of the Inter-state Commerce Commission, the Maritime Commission, the carriers involved, the labour unions, and shippers."

9. The subject of comparative costs by the rail and by the sea routes has also formed the subject of several reports by the Inter-state Commerce Commission and the following are relevant extracts from their decision in case No. 29722:—

"The plight of the water lines is not caused by an unreasonably low level of rail rates, but is primarily due to their own high terminal costs and to the accessorial costs incurred when a shipper uses water service. The coastwise water

lines cannot attract the tonnage they desire for hauls such as those between the Pacific coast ports when their patrons must incur costs merely in getting shipments on and off the vessel, frequently equal to and sometimes more than full cost by the competing railroad of making shipment by rail between the same points, profit added....."

"Comparison of the estimates of costs by rail and water along the Pacific coast shows that as to most of the traffic the rail lines are the low cost operators, and there is considerable doubt as to whether the water lines have the advantage of cost as to any important character to the shipper who uses water coastwise service, and also because of the intangible disadvantages of such service, water rates for transportation from dock to dock must be substantially lower than the corresponding rail rates, or the water line cannot secure the traffic. It follows that if the water rates are to be low enough in their relation to the corresponding rail rates to attract the competitive traffic, and at the same time be high enough to cover the increased water costs shown and yield some profit to the water lines, a further radical increase in the rail rates would be necessary. But such pronounced increases cannot be justified on any broad scale when at least 80% of the rail rates on minimum carloads between the ports yield more than the estimated average full costs, with an average allowance for taxes, fair return, and a passenger deficit".

10. This relative disability of water carriers arising from increasing operational costs in recent years has been considered so serious as to give expression to the following opinions:—

Source.—"Ocean Transportation—McDowell".

"With the present relationship of cost between rail and water carriers, domestic shipping in America today is of marginal value."

"Shipping costs have increased to such an extent that it has priced itself out of business."

"The future of domestic shipping in this relative context of costs gives rise to the situation where the subsidisation of shipping rates is inescapable."

11. The importance of terminal costs in relation to co-ordination has been widely recognised and studies have been made as to how

best the problem of increases in the handling costs could be tackled and whether the remedial measures so taken would restore in terms of cost, the inherent advantage of coastal shipping as the cheaper carrier.

The following quotations indicate the views held on this issue:—

Source.—"Importance of Handling Charges in a Ship's operating costs", Transport and Communications Review, United Nations, April-June, 1950, Vol. 3, Pg. 15-18.

".....So much time is spent in port that the ship, instead of being a means of transport. has become a quay-side storage depot. Handling represents between 30 and 40 per cent. of the charges, which is, to say the least, excessive, but above all it affects two-thirds of the earnings since the same proportion of turn-round time is required as for operations which are, of course, necessary but do not constitute the essential purpose of the ship, which is surely to transport goods.

Because of this double aspect, affecting both expenditure and revenue, handling forms the greatest problem in the operation of a ship."

Source.—"The Crisis in Coastal Shipping—John Hazard."

"The level of these costs determine the urgency and speed with which cargoes must be handled for the minimisation of terminal time and cost.....

"Coastal vessels spent over 50% sometimes over 60% of their time in port loading and discharging and during that time all vessel costs with the probable exception of fuel continue undiminished.....

"Overall daily vessel costs are 280% higher in 1950 than in 1939. In other words it costs almost 4 times per day to keep a vessel afloat.....

"The major increase occurred in voyage terminal costs which in 1950 amounted to 164·3% of 1939 costs."

12. The studies in America indicate that in practice it would no longer be possible or practicable to demarcate the sphere where the water mode of transport possesses a superiority over the rail mode of transport in a general way, but that the cost advantage as reflecting the relative economy of carriage by rail and by coastal shipping would require to be

sought out in respect of particular commodities and particular movements. The following quotations emphasise this aspect of selection of commodities for particular modes of transport—

Source.—Freight Transportation for Profit—Henry B. Cooley.

".....Changes in types of traffic by different transportation agencies, and in the same commodity for different lengths of haul, etc., are taking place and the considerations that are causing the charges are the differing characteristics of the modes of transport, their advantages and disadvantages *especially with reference to the handling properties of individual commodities.*"

"The characteristics of the individual commodities to be transported vary with the different commodities, and the effect upon transportation cost of the different types of carriers, under various conditions of operation, is not the same for the different carriers."

"The cost of handling an individual commodity in the past has received little attention in the making of freight rates, but in the future cost will play a more important part in the determination of freight rates because of competitive factors and *selection of traffic by individual carriers,* which will force rates in line with the cost of performing the service."

13. The conclusion reached in America thus appears to be that the solution for the present unfavourable competitive position of coastal shipping should be sought through steps being taken to minimise terminal costs and improving the turn-round of ships. It has been found that certain commodities cause both an avoidable increase in handling costs and in delays to ships at ports. Thus, general cargo items which involve multiple handling and do not lend themselves to mechanical loading tend to increase the relative disability of coastal shipping *vis-a-vis* railways. They are, therefore, considered less suited to the sea mode of transport than the rail mode of transport. The commodities that are regarded as being more suitable by coastal shipping than by rail are bulk commodities susceptible of faster loading and unloading either because of the homogeneity of the cargo or because such cargo can be easily handled in large quantities through the use of mechanical appliances. The most important remedial measures to be adopted for preserving to coastal shipping the cost advantage based on its inherent superiority, it would appear, is the installation of adequate and modernised port facilities for the purpose of quick loading and discharge of selected commodities moving regularly and in bulk. The saving in costs thereby, it is held, would enable coastal shipping to compete successfully thereafter, in such selected commodities over chosen routes, with alternative modes of transport.

Other countries

14. Although we made enquiries regarding steps taken in other maritime countries to promote rail-sea co-ordination, we have not been able to get any extensive information on the subject; but even on the basis of the limited information obtained by us, it does not appear that any positive steps have been taken by them.

In most countries, the coastal trade appears to be reserved for national shipping and in a few countries, subsidies are granted for the maintenance of certain unremunerative routes. For instance, subsidies are given in Canada to coastal shipping for the development of particular regions.

15. To sum up, it will be seen that the need for co-ordination arising from the higher costs of shipping has been experienced in other countries as well but no general solution for the problem of co-ordination has been found. It has been dealt with mostly on an *ad hoc* basis, in the light of the actual circumstances prevalent in the individual country concerned. The problem has focussed attention on the reduction of terminal costs and has emphasised the tendency to allow traffics to sort themselves out between the different modes of transport on the basis of relative costs of transport incurred in affording the service. In other words, the mode of transport which incurs a comparatively lower cost, enabling it thereby to provide transport at a cheaper rate obtains the traffic which, on that account, it is best suited to carry.

CHAPTER VI

DEVELOPMENT PLANS FOR COASTAL SHIPPING AND ADDITIONAL CARGO REQUIREMENTS TO MEET THE DEVELOPMENT PLANS

First Plan

1. On the eve of the First Five-Year Plan, the Indian fleet comprised a total of 3·86 lakhs GRT, out of which the coastal fleet was about 2·13 lakhs GRT. The shipping target fixed for the Plan was 6 lakhs GRT, which meant an addition of 2·15 lakhs GRT. This tonnage allocated between the overseas and the coastal trade was 1·10 lakhs GRT and 1·05 lakhs GRT respectively. These figures represent net additions after providing for 60,000 tons for replacement of old and obsolete ships. During the Plan period, a total of Rs. 4·9 crores was sanctioned as loans for the coastal trade (against Rs. 19·24 crores for the overseas trade). Actually, there was a shortfall in the additions owing to delayed delivery of ships from the Hindustan and foreign shipyards and also due to the scrapping of 90,000 tons of shipping (against 60,000 tons provided for in the Plan), the bulk of which was coastal tonnage. The following figures indicate the total Indian tonnage added, and scrapped or sold, during the First Plan period:—

Year	Additions made						Tonnage scrapped or sold					
	Coastal		Overseas		Total		Coastal		Overseas		Total	
	No.	Tonnage	No.	Tonnage	No.	Tonnage	No.	Tonnage	No.	Tonnage.	No.	Tonnage.
1951-52	11	34,305	...	...	11	34,305	4	15,295	...	...	4	15,295
1952-53	10	32,652	2	11,944	12	44,596	2	8,608	...	...	2	8,608
1953-54	15	23,407	6	29,370	21	52,777	4	17,363	..	...	4	17,363
1954-55	8	28,176	3	18,398	11	46,574	13	21,278	...	...	13	21,278
1955-56	7	19,563	...	...	7	19,563	9	22,212	15,322	10	27,534	
	51	1,38,103	11	59,712	62	1,97,815	32	34,756	15,322	33	90,078	

The actual tonnage in service on 31st March 1956 was 4·8 lakhs GRT of which the coastal tonnage was 2·4 lakhs GRT, against the Plan target

of about 3·2 lakhs GRT. Although the funds have been fully utilised, it is after the 17 ships on order from the First Plan period are completed that the target of 6 lakhs GRT will be reached. There will, however, be a shortfall of about 52,000 GRT in the coastal tonnage and an excess of about 64,000 GRT in the overseas tonnage.

Second Plan

2. The net addition to shipping tonnage recommended for the Second Plan period by the Study Group of the Consultative Committee of Shipowners was approximately 4·15 lakhs GRT, costing about Rs. 80 crores and raising the total tonnage to a million tons. The Committee recommended a target of approximately 4 lakhs GRT for the purely coastal trade and half a lakh GRT for the adjacent trades. As against this, the Planning Commission accepted a target of 9·01 lakhs GRT as follows:—

	GRT
Coastal and adjacent trades	4,12,202
Overseas	4,05,505
Tramp	60,000
Tankers	25,000
Salvage Tug.	1,000
TOTAL	9,03,707

The Study Group had indicated that a tonnage of 50,000 would enable Indian shipping to carry 50% of the adjacent trades. As the Second Five-Year Plan also mentions that the target laid down in the Plan is expected to enable 50% of these trades to be carried, it appears reasonable to assume that out of the 4·12 lakhs GRT envisaged in the Plan as the target, 50,000 GRT are intended for the adjacent trades and 3·62 lakhs GRT for purely coastal trade.

3. We tried to ascertain whether the various targets for the coastal and adjacent trades were based on any estimates of the traffic likely to be available on the relative economics of rail and sea transport, but it does not appear to be so. The Shipping Policy Sub-Committee of 1947, which recommended an ultimate target of 2 million tons for Indian Shipping, merely mentioned that Indian ships should cater for 100% of the coastal trade which then stood at 24 lakh tons (including India/Pakistan trade). The First and Second Plan targets also appear to have been suggested mainly on the basis of the general increase of the trade from 24·49 lakhs in 1951 to 26·08 lakhs in 1952 and again to 28·84 lakhs in 1953. As far as we can see the targets have been framed primarily with reference to the funds likely to be available and the overall requirements of tonnage and it appears to have been assumed that cargo would be available for the taget tonnage.

Tonnage trends in coastal trade

4. As against the target in the Plans, the actual Indian tonnage in coastal trade increased from 2·1 lakhs GRT in 1950 to 2·67 lakhs GRT in 1954 but subsequently decreased to 2·61 lakhs in December 1955 and further to 2·4 lakhs in March 1956. As we have pointed out earlier, the total tonnage in the coastal trade, prior to coastal reservation, exceeded 3 lakhs including the British tonnage. The available tonnage is thus much less than previously and has not shown any tendency to increase substantially. We also understand that, although commitments have been made for practically the entire financial provision in the Second Plan, the only loans so far sanctioned for the coastal trade are one loan for a second-hand ship of 1953 GRT and another for two small ships about 2500 GRT being built in Belgium, both for the Malabar group, and that the remaining orders are all for the overseas trade. Besides the above, the only additions which are definitely in view for the coastal trade appear to be a few orders for new construction pending with the Hindustan Shipyard. The total addition to the coastal fleet is not therefore likely to be much, and the recent phenomenal increase in the prices of second-hand tonnage also indicate that the prospets of any substantial additions to the coastal tonnage during the Second Plan period are not very bright unless, of course market conditions change radically or unless India is able to acquire some ships from the U.S. Reserve Moth-ball fleet.

5. The tonnage trend on the coast is very unsatisfactory and should be rectified. We understand that the coastal companies have informed Government that they were not keen to expand their fleets unless they were allowed to increase the freight rates to a level which would adequately compensate them for the rising capital and operating costs. The apparent lack of interest in the coastal trade is also probably the result of the fact that the overseas trades are at present much more remunerative. Whatever the reasons for the present position of tonnage, we feel that, in the context of the declared policy of development of shipping and the overall transport shortage anticipated during the second half of the present Plan, Government should take steps to ensure attainment of the target figure.

We have accordingly assumed for our calculations that the target of 4·12 lakhs GRT for the coastal and adjacent trades is not excessive and that this target will be reached.

Cargo requirements

6. In the year 1951, the total Indian tonnage of 276,199, catering to the coastal and adjacent trades, carried 28·8 lakh tons of coastal cargo and 4·7 lakh tons of cargo in the adjacent trades or a total of 33·5 lakh tons. On this basis a total tonnage of 4·12 lakhs may be expected to

carry roughly 50 lakh tons. A tonnage of 50,000 could carry roughly 6·25 lakh tons in the adjacent trades on a proportionate basis. We feel however that when Indian shipping expands to the target limit, it could secure additional cargo in the Bay of Bengal trades like the coal traffic to Burma and Ceylon and the Burma/Ceylon rice trades in which it has no share at present and for which our ships are well placed for catering on a competitive basis. We consider in all these circumstances that their is no reason why the share of our ships in the adjacent trades should not increase to about 8 to 10 lakh tons.

7. The total requirements of cargo in the coastal trade may therefore be roughly set at about 40 lakh tons unless, of course, the working conditions of our ports improve very substantially. Against this, the existing movements by coastal shipping may be expected to increase by 10% in the Second Plan period which, on the basis of 1954 figures, means cargo availability of 31·6 lakh tons, leaving a balance of about 8·4 lakh tons to be found by promotional means. This may be split into 6 lakhs in the loaded direction from East to West and the balance in the opposite direction.

8. To the above figure must be added the spare capacity, if any, already available on the coast.

An attempt has been made to analyse the probable spare capacity of the existing coastal fleet.

On the basis of certain assumptions concerning the net available dead weight capacity of ships (making allowances for bunkers and water) and also in regard to the average duration of a round voyage on the West Coast and the Wider Coast, it has been calculated that in the West Coast trade, the theoretical capacity of the available tonnage should be roughly 5 lakh tons in either direction. As against this, actual movements are roughly $4\frac{1}{2}$ lakh tons from West to East and 2 lakhs in the reverse direction. The conclusion, therefore, is that there is unutilised capacity of the order of 3 lakh tons in the light direction. Similarly in the case of the Wider Coast, the theoretical available capacity is roughly 15 lakh tons in either direction of which nearly all the capacity is taken up in the East to West direction and only under half the capacity in the West to East direction. The unutilised capacity in the latter direction may, therefore, be taken as about 8 lakh tons. The position on the West Coast is not important for the purpose of co-ordination as there is only limited cargo movement by rail and the potential traffic available for diversion from railways is small. So far as the Wider coast is concerned, it may be assumed that when the full target tonnage is reached, the total traffic required to keep it fully employed will be about 6 lakh tons in the East to West direction and there will be empty space of approximately double this figure in the reverse direction.

CHAPTER VII

PROPOSALS FOR CO-ORDINATION AND DIVERSION OF TRAFFIC

Our terms of reference relating to co-ordination require us to examine the existing pattern of trade movement within the country, of the commodities which could be suitably moved by sea, and to suggest measures to ensure effective co-ordination between railways and coastal shipping, with a view to promote the movement of such goods by sea. In doing so, we have been directed to have particular regard to the need for promoting development of coastal shipping on sound lines, to the need to avoid overlapping between the two modes of transport and to the need for expanding coastal shipping in the larger and long-term interests of the country.

Co-ordination defined

2. A working definition of the co-ordination mentioned in the U.K. Transport Commission's report is

> "A condition in which two or more systems, whether in the same or separate ownership, work together efficiently under an arrangement mutually agreed and conditioned by the public interest."

In other words, co-ordination represents a system of regulation that ensures traffic to the mode of transport best suited to carry it. Such impartial regulation would ensure harmonious development of various forms of transport and the avoidance of all wasteful competition between them. We also quote here the following extracts from the book.

"The Economics of Inland Transport" by A. M. Milne.

"Cost of Transport"

> "To provide transport services in such a way as to incur least economic cost is the economic object of the co-ordination or integration of transport."

"Function of Transport"

> "Transport is part of the costs of production of the national dividend of goods and services and the object here to be achieved is to bring these costs to a minimum."

While it is theoretically easy to define the scope of the expression "co-ordination", the concrete steps to be taken for the translation of these objectives into practice are by no means clear. In this context we feel that

we cannot do better than quote again from the report of the United Kingdom Transport Commission, 1931:—

> "No doubt if a state of affairs could be reached whereby every passenger travelled, and every ounce of goods was consigned, by the most economical route and form of transport, many of our present transport difficulties would disappear. Overlapping and unnecessary services would be eliminated; there would be a complete "controlled monopoly" of all transport agencies: the rail, the road, the canal and the coastwise ship would convey just those passengers and goods for which each was best adapted; and the savings effected should enable better services to be secured on existing routes and the establishment of services where, for economic reasons, none exist at the present time. But as things are to-day, is such a state of affairs or even any approach to it practicable? Who is to decide, for example, what rail services are desirable in the public interest and what amount of coastwise shipping? Or what goods should in the national interest be sent by rail, road, canal or ship? To propound the question is sufficient to bring home the immense difficulty which it involves."

Pre-war and post-war relative economy of rail and coastal shipping compared

3. We have referred earlier to the fact that the problem of co-ordinating movements of traffic by the rail and the sea routes has arisen in other countries also and that it has become a live issue mainly by reason of the rapidly increasing operating costs of coastal shipping. We have also referred to the fact that in the pre-war period when costs by coastal shipping were relatively more economical than by rail, it was able, by reason of its ability to quote lower rates, to attract adequate traffic for its requirements. In India also, in the pre-war period, freight rates by coastal shipping were lower for practically all items than freight rates by rail. So far as coal was concerned, the tramps which mainly catered to coastal trade, were able to carry the commodity from Calcutta at much lower competitive rates than railways. The competition also extended to other commodities and it was not then unusual for railways to quote special port to port rates to compete with coastal shipping. Subsequently, however, the costs of operation of both the modes of transport have risen; but the rise in the case of coastal shipping has been much larger than that of railways so that the relative competitive position of the two forms of transport has been considerably affected. As we have indicated in an earlier chapter, it is not merely the increase in shipping freight rates themselves which have affected the relative position, but also the increases in the terminal costs by coastal shipping which include also the actual charges paid at ports and are payable over and above shipping freight rates.

This cost reversal in the relative competitive position by railways and coastal shipping, as stated in Chapter V, has been studied in detail in the U.S.A., and it has been found that it is the relative disproportionate increases in the costs of handling and the terminal costs that has affected the competitive position of coastal shipping and it is for this reason that considerable emphasis is being laid on the reduction of terminal costs so as to restore and to preserve the inherent cost advantage to coastal shipping. As we have stated earlier, a similar conclusion has been reached in the U.K. also, but in addition, certain machinery has been set up in that country to consider and submit to the Minister proposals concerning problems of co-ordination which arise from time to time. Evidently it has been felt that no general scheme could be worked out immediately and that arrangements for co-ordination will have to be evolved over a period of time and also varied from time to time to accord with special conditions. In the U.K. a special Committee has also been set up to discuss all freight problems in relation to co-ordination between the rail and sea routes. Beyond this, it would appear no positive steps have been taken in these countries.

It may be emphasised in this context that it has also been felt in these countries that any forced diversion which would result in the denial of one or the other means of transport to the shipper would be undesirable. In fact, it is specifically provided in the Transport Act, 1917, of the U.K. that

> "where the Transport Commission are for the time being providing regular goods transport services of different kinds available between the same points, it shall be their duty to allow any person desiring transport for his goods between those points from time to time to choose such of the services so provided as he considers most suitable to his needs."

It has also been felt in the U.K. that unity of control over the various forms of transport would be a necessary step for satisfactory co-ordination.

4. Our examination of the problems of the coastal shipping industry in India has also led us to the conclusion that the main reasons for the present difficulties are the same as in other countries, namely, the rising costs of shipping operation.

With regard to our analysis of the costs by the rail and the sea routes in respect of the principal commodities moving between coastal areas, we have pointed out that in respect of many of the items of general cargo, the freight advantage is with the sea route and that in the case of some items, the freight difference would cover the expenses of a limited movement to or from the interior, but that the increasing level of shipping rates and the incidental costs tend to vitiate this advantage.

For a long-term solution for restoring the competitive position of coastal shipping, our view is, as in other countries, that every effort should be made to reduce the terminal costs by reducing charges wherever possible, and, if necessary, even by charging preferential port charges for coastal shipping, but mainly through the provision of improved port facilities for avoiding or minimising delays to coastal shipping.

But quite apart from its long term solution, the problem of rail-sea co-ordination has certain very important short term aspects in our country.

We have been passing through a period of transportation shortage generally and while during the next year or two the position may not become aggravated and may in fact ease to a little extent, in the later years of the Second Plan period, however, when the giant iron works are expected to go into production progressively, an acute transportation shortage seems inescapable. It is to meet this shortage particularly that we have recommended that the plan target of 4·2 lakh tons of shipping for the coastal and adjacent trades should be definitely achieved. Our recommendations that follow are designed to put this additional tonnage to the best possible use.

We have already indicated that the Plan target tonnage would require the provision of roughly 6 lakh tons of additional cargo on the Wider Coast in the East to West "loaded direction" and that there will be approximately double this capacity available for cargoes in the reverse direction. We have also analysed the volume of general cargo (other than coal) now moving by the rail route which could be considered for divesrsion to the sea route and have reached the conclusion that the total volume of such traffic would be only about $2\frac{1}{2}$ lakh tons. The question of diversion of this and other traffics, to make up the required quantity of 6 lakhs of tons in the "loaded East to West direction" and as much quantity as feasible in the West to East "light running direction", on the Wider Coast raises certain basic issues and extremely complicated problems with which we shall now deal.

Main proposals for co-ordination by Coastal Conference

5. The main proposals put forward by the Coastal Conference in connection with co-ordination are as follows that:—

(i) all coal required by railways and industries at ports and destinations within their hinterland should be carried by sea;

(ii) all salt moving to destinations which were and are being served by Calcutta salt market should move by sea;

(iii) there should be no movement of cargoes moving in bulk or in large quantities (*e.g.* cement, food-grains and fertilisers) by railway between any two ports or stations within 125 miles of ports;

17. In the course of our enquires, many instances of anomalies in the

(iv) in respect of general cargoes the port to port movement by the rail route should take place only if the consignments offered are in smalls: in other words, movement of full loads from one port to another should be stopped. This would also apply to traffic moving from or to a distance of 125 miles in the interior from the port of shipment and the port of destination; and

(v) for all traffic for which there is public demand for a through route, the railways and shipping companies should agree to enter into through booking arrangements. In such cases, it may be necessary to suitably adjust the existing rates of freight in order to ensure optimum utilisation of transport facilities.

6. Notwithstanding specific references to them, the Coastal Conference were unable to justify, on any basis of the relative economics of transportation, their proposal that traffic from and to a 125 miles coastal belt be exclusively reserved for coastal shipping. Their proposals had been made on the assumption that rail facilities should be denied for such movements and they had no concrete answer to the question how in such circumstances the freight difference should be met wherever the freight by the rail route was cheaper.

Anticipated production in bulk commodities during Second Plan period compared

7. As bulk cargoes lend themselves better to diversion to the sea route than other cargoes before making our specific recommendations for diversion of traffic, we shall briefly discuss the production plans in respect of the principal commodities of bulk cargo under the Second Five Year Plan and the potential quantities which are likely to be available for movement by the sea route. In this connection, we have had correspondence with the Planning Commission and some of the Ministries concerned and we have also had discussions with the Coal Controller and the Salt Commissioner. We have also indicated the relative rating position by the rail and the sea routes in respect of representative movements for such commodities.

Coal

8. The production of coal in 1951 was about 37 million tons and a target of 60 million tons by 1960-61 has been accepted. An additional production of 23 million tons of coal is thus envisaged during the Second Plan period. More than half of this quantity is likely to be raised from the Bihar-Bengal collieries and the balance from among the other areas.

The volume of coal movement on the coast has varied to some extent, depending upon the available capacity of railways to move their own requirements. The number of colliers required per month is indicated in advance by the Railway authorities, and has varied from 18·5 ships in 1949 to 10·5 in 1951 and 13·5 in 1955. Practically all the colliers are now sent to the South Indian ports of Madras, Cuddalore, Tuticorin and

Cochin. Previously there used to be some movements to Marmugao, Bombay and Saurashtra ports, but this has now dried up, except for movements of bunker coal to Bombay.

As a result of our discussion with the Coal Controller, we have ascertained that the present pattern of movement of coal by the sea route to the Southern Railway is likely to continue and that the present quantity of approximately one million tons of coal would, during the Second Plan period, increase to approximately 1·4 million tons. According to our information, these ports cannot take more than this quantity and any further diversions would, therefore, have to be arranged to other ports like, Bombay and Saurashtra ports.

So far as Bombay is concerned, we have ascertained that the total movements of railway coal to stations within 100 miles of the Bombay port were 1·85 lakh tons from Bengal-Bihar coalfields in the year 1953-54 (including 2·86 lakh tons for the Chola Power House) and 1·54 lakh tons from other coal fields. Similarly, public coal moving into this area from the Bengal-Bihar fields was during 1955 1·17 lakh tons and from the other fields ·82 lakh tons. It is estimated that during the Second Plan period the additional requirements of loco coal and public coal from the Bengal-Bihar coal fields would be roughly 2 and 1 lakh tons respectively. There is thus substantial volume of potential coal cargo which can be moved by the sea route to Bombay. The Coal Controller has also confirmed that approximately six ship loads for Chola Power House and one ship load for bunkering purposes, and one ship load for other industries could be regularly made available each month if a decision is taken to divert this coal from the rail to the sea route.

Similarly, in respect of the Saurashtra area, the movements of loco coal in the year 1953-54 were about 35,000 tons from Bengal and Bihar and 1·52 lakh tons from other coal fields. The public coal from the Bengal-Bihar fields was during 1955 2·17 lakh tons and from other fields 1·47 lakh tons. It is estimated that the additional requirements of coal from the Bengal-Bihar fields would be of the order of 6·75 lakh tons. It has been stated that many of the new factories licenced in the Saurashtra area have been informed that licences were issued to them on the understanding that they would obtain their coal requirements by the sea route and they would also transport as much of their finished products by the sea route as possible. The potential quantity of coal, on private account, available for transport by the sea route to this area is consequently quite substantial. There is some uncertainty regarding future movements of railway coal in view of the contemplated plans for dieselisation in the area and the scope for diversion of railway loco coal to the sea route would, therefore, remain small.

We have already referred to the relative freight rates for coal by the sea and the rail routes to the more important ports on the coast, and we

have pointed out that the total cost of movement by the sea route exceeds the cost by the rail route by a substantial margin. This is partly due to the fact that railways quote specially favourable rates for long distance conveyance of coal, and partly because many of the colliers have suffered delays at ports and have, moreover to perform ballast or near ballast voyages in the return direction owing to paucity of return cargoes.

Salt

9. The target for salt production during the First Plan period was 837 lakh maunds (30·7 lakh tons). Although salt production in 1953 was 861 lakh maunds (31·6 lakh tons), during 1955, production was, however, only 811 lakh maunds (29·8 lakh tons). No target of production for salt during the Second Plan has been fixed, but it is estimated that the overall production in the country may reach 1,000 lakh maunds (36·8 lakh tons). The present movement of salt from Saurashtra and Kutch to Calcutta is approximately 3·5 lakh tons and from Tuticorin approximately 80,000 tons per annum. There are also limited exports to overseas destinations, Japan, Indonesia, etc. Previously, salt traffic from Saurashtra and Kutch to Calcutta was entirely by the sea route for supply to West Bengal, U.P., Bihar, Orissa, Assam, Nepal, East Pakistan, etc. Salt traffic to East Pakistan has completely ceased and after the opening of the Kandla-Desa link, salt, movements to West U.P., North Bihar, Nepal, etc. from Kutch by the all rail route have been on an increase. No salt is now moving to Orissa from Calcutta as the State now meets its demands from its own factories and from Andhra. Taking account of some small movements on the coast to chemical factories in Alwaye, Bombay, etc. the total movement of salt by the sea route is not expected to exceed about 5½ to 6 lakh tons. The detailed figures of supply of salt from Calcutta to the various States are given below:—

(Figures in tons.)

Name of the State	1953	1954	1955	1956 January to October
Assam	59,956	73,439	77,736	64,732
West Bengal	188,023	184,717	225,496	185,819
North Bihar	61,793	47,245	32,660	32,000
South Bihar	134,643	112,858	129,905	111,462
Uttar Pradesh	1,337	2,241	..	..
French Chandernagar	514	514	..	..
Nepal	8,597	8,450	11,095	...
Sikkim	588	404	147	..
Balasore	...	477	..	..
Taripura	3,710	4,115	4,078	...
Orissa	1,433	..	36	1,764
East Pakistan	9,185	..	..	..
Manipur	...	1,029	625	..
	469,779	435,489	481,778	395,777

The freight rates for salt by the rail and Sea routes are as follows:—

	Rail rate per ton	Sea rate per ton	Other charges	Total
	Rs.	Rs.	Rs.	Rs.
Kandla to Calcutta	49 9 0	31 4 0	5 0 7	36 4 7
Bedi to Calcutta	51 3 0	31 4 0	6 8 10	37 12 10
Tuticorin to Calcutta	50 8 0	25 4 0	6 6 7	31 10 7

It will be seen that the cost by the sea route compares favourably with the cost by the rail route and there is also a small margin for railing the salt from Calcutta to the interior.

Next to coal, salt is the commodity moving in the largest quantity and is the main item available for coastal ships in the West to East direction. In view of this, we recommend that the present pattern of movements in this commodity by the sea route should be preserved.

Foodgrains

10. Although there have been certain irregular movements of imported foodgrains for rectifying local shortages, these have not been uniform and are therefore not dependable for purposes of planning. The only movement which is regular and dependable is that from the areas served by the Andhra ports of Kakinada and Masulipatam to deficit areas in Kerala. These movements used to take place by the sea route during the war and also in subsequent years whenever rail capacity was not available. We understand that storage accommodation is available at these ports and Kakinada could handle its share of the traffic without any difficulty. The rate of loading in Masulipatam is lower, mainly because of limited lighter capacity. This traffic should provide an additional 2/3 lakh tons of cargo for coastal shipping.

With regard to the freight rates, the position is as follows:—

(Rate per ton.)

	Rail rate	Sea rate	Other charges	Total
	Rs.	Rs.	Rs.	Rs.
Masulipatam to Calicut	32 7 0	33 0 0	13 10 3	46 10 3
Masulipatam to Cochin	33 5 0	33 0 0	12 13 4	45 13 4
Kakinada to Calicut	34 0 0	33 0 0	10 12 6	43 12 9
Kakinada to Cochin	34 14 0	33 0 0	9 15 10	42 15 10

The costs by the sea route are thus higher by about Rs. 10 per ton even without adding the freight for movement up to the port. The cargo moves on private account and can be diverted to the sea route only if some adjustments regarding freight rates are made.

Cement

11. By the end of March 1956, the total installed capacity of the cement industry was 5·3 million tons equivalent to a production capacity of 4·8 million tons. The provisional target of installed capacity for the Second Plan is 12 million tons, equivalent to a production capacity of 10·8 million tons. Thus the additional production will be roughly 6 million tons a year of which roughly over a million tons will be in the Saurashtra area and ½ million tons of the balance in Vijayawada, Talaiyuthu and Dalmiapuram. It is understood that the targets are being further revised upward.

There have been some movements of cement from Sikka and Saurashtra to East Coast ports, but under the zonal distribution arrangements by the State Trading Corporation, these movements have disappeared, and there are now only some limited movements by sea route on the West Coast.

The position regarding freight rates is as follows:—

(Rate per ton).

From	To	Rail rate	Sea rate	R'y freight from forwarding Stn. to forwarding Port	Other charges	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Talaiyuthu	Shalimar	59 10 0	27 8 0	5 2 0	9 4 6	41 14 6
Dalmiapuram	Do.	45 13 0	26 8 0	7 11 0	11 2 6	45 5 6
Do.	Bombay	38 11 0	36 8 0	7 11 0	7 13 1	52 0 1
Okha	Do.	31 13 0	22 0 0	..	4 11 1	26 11 1
Do.	Calcutta	53 3 0	37 8 0	..	8 7 0	45 15 0

It will be seen that the sea rates are favourable for certain long hauls. When the full target production is reached, there is bound to be scope for some movement from Saurashtra by sea although it is not possible to determine at this stage the potential quantity. This will constitute a valuable return cargo from the West Coast.

Iron and Steel

12. This is an item which now moves predominantly by rail. The preference for this route is because the factories are able to despatch their products from their sidings to destinations direct. The freight rates and incidental costs from Tatanagar and Burnpur to Bombay by the two routes are as follows:—

(Rate per ton)

From	To	Rail rate	Sea rate	Rail rate from forwarding Stn. to forwarding port	Other charges	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Tatanagar	Bombay	53 0 0	46 0 0	20 10 0	12 14 5	79 9 5
Burnpur	Do.	56 10 0	46 0 0	16 12 0	12 14 5	75 10 5

The rail route is thus more favourable for these movements. The scheme for the uniform selling price should obviate any difficulty on account of the disparity in freight rates, and with the projected increase in the production of over a million tons in the private sector and of two million tons from the new Steel plants at Rourkela, Bhilai and Durgapur in the public sector, there may be scope for movement of at least a limited quantity in this commodity by the sea route.

Fertilisers

13. The present annual production of ammonium sulphate which is the principal chemical fertiliser is approximately 4 lakh tons and the gap of two lakh tons between production and consumption is met by imports from overseas areas. The target proposed for 1560-61 is 1·85 million tons thus implying more than four-fold increase in indigenous production. At present the rail route is more economical than the sea route and, in any case, under the existing distribution arrangements, the deficit areas are fed by overseas imports and the indigenous product is distributed in neighbouring States mainly by the rail route. When the full production target is reached, what scope there will be for movements by the rail-*cum*-sea route is difficult to predict as while there will be more production, the factories will also be more spread out.

14. As we have indicated already, our conclusion is that about 6 lakh tons of additional cargo on the Wider Coast in the East/West direction will be needed to keep the proposed tonnage of 3·62 lakh GRT fully employed. It should be possible to find this quantity almost entirely from

coal. From what we have stated it will be seen that there would also be scope for finding some cargo from other items like food-grains, fertilisers, iron and steel.

In the reverse direction, the main hope of securing additional cargoes is a slight increase in salt shipments and some movements of cement. There also appears to be increasing volume of trade in bitumen and packed petroleum products from the Bombay refineries to other coastal ports.

The cargo availablities in the West-East direction will always be less than in the reverse direction, and therefore while every effort should be made to feed ships with additional traffic in the direction West to East, there can be no question of finding full loads in this direction of light running.

15. There is at present a movement of 8 lakh tons of oil products in tankers from the Bombay refineries to coastal destinations; but we have not referred to this as our terms of reference primarily concern the operations of dry cargo ships. Also, this sea movement is likely to be affected by the setting up of the Vizag refinery and the refinery projected in West Bengal or Assam.

Mechanics of Diversion

16. We shall first consider the mechanics of diversion of traffics as distinct from the financial implications arising out of the differences in the levels of freight rates by the rail and the sea modes of transport between the points.

The traffics that can be considered for diversion to the sea route may broadly be grouped into three categories, namely,

(i) Traffic on private account such as industrial coal, rice from Andhra ports to Kerala State, etc. (This group offers the largest volume of potential cargo to the sea route).

(ii) Traffic in commodities which are sold at uniform controlled prices- *e.g.*, cement, iron and steel, etc.

(iii) Movements on Government account such as food-grains for the Food Ministry, fertilizers for the Ministry of Agriculture, railway coal, etc.

17. So far as the traffic moving on Government account, either under the scheme of sale at uniform prices or otherwise is concerned, the mechanics of diversion will present no difficulty, as the diversion can easily be arranged by executive orders by the appropriate authorities. But so far as movements on private account are concerned this is not possible, and it will be necessary either to prohibit conveyance of specific items of traffic by the rail route or alternatively to make the movement by sea

sufficiently attractive by suitable financial arrangements. In fact, in actual practice it may be necessary to adopt both the expedients for certain types of cargoes, as mere freight abatement by the rail-*cum-sea* route or the sea route may not by itself achieve the desired quantum of diversion because of the quicker transport and other service advantages possessed by the railways. It is also relevant to mention that the mere restriction in booking from certain areas to certain other areas could be thwarted by a process of rebooking at suitable intermediate points and that such rebooking will be resorted to unless the freight rate by the sea route is sufficiently attractive as compared with that by the direct rail route. We also consider that generally any enforced diversion without suitable freight adjustments would be discriminatory and unfair to the consumers in the coastal areas as compared with consumers in the interior. In this connection, we reproduce the following observations of the U.K. Transport Commission, 1931, referred to already in Chapter V:—

> "Under existing circumstances, any attempt at compulsion or coercion would, we believe, be a great mistake and would be strongly objected to not only by the transport agencies but also by the traders, and any such attempt would probably prove to be quite ineffective in practice. We therefore reject any such proposals. Such enforced "co-ordination" if indeed introduced will not, we are convinced, be in the national interest."

Financial implications of diversion

18. As for the financial implications, three alternative courses of action have been mentioned to us for meeting the financial burden that would result if freight rates are equalised in the process of arranging diversion of traffic from the rail to the sea route.

One method that was proposed was the creation of a separate fund from the Central Revenues to meet this burden. This proposal was made on the ground that enforced diversion of traffic to the coastal route is being attempted in the overall interests of the country and that the financial burden thereof should rightly be on the general tax-payer.

Another method that was suggested was that a surcharge be levied on the railway freight to all coal consumers in the country. This proposal has been made by the Bombay Coal Allocation Committee who have suggested that the fund so created should be utilised to subsidise the difference between rates by the rail and the sea routes in respect of coal shipments on private account to different ports.

The third suggestion which was made was that a surcharge be levied on transportation generally by rail of all commodities.

Opinion expressed to us on the various suggestions was divided.

The Federation of Indian Chambers of Commerce were clear that irrespective of how the financial burden was borne, consumers of the goods diverted by the sea route should not be made to incur any extra cost.

19. In the light of the analysis made above and the availability of the requisite volumes of bulk and Governmental cargo, we feel that for the time being the question of introducing special co-ordination arrangements to divert general cargoes on private account to the sea route need not be pursued.

In the first place, the freight rates in respect of many of these items are still lower by the sea route and as we are explaining in a Chapter that follows there is scope for diversion of some additional quantities of general cargo if regular and frequent shipping services are arranged.

Secondly, the total quantity of general cargo available for diversion from the rail route, even if compulsion is resorted to, would be only of the order of $2\frac{1}{2}$ lakh tons against a much larger requirement.

We recommend, in these circumstances, that for obtaining the additional tonnage of cargo required for the sea route attention be confined to the bulk commodities moving by rail between coastal areas, particularly coal.

The other items coming under this category would be cement and foodgrains moving on account of Central or State governments, fertilisers moving on Government account and Iron and Steel. We recommend that in respect of these other items of traffic moving on Government account a positive policy of diversion to the sea or rail-*cum-sea* route be adopted to the extent necessary for adequate utilisation of coastal shipping notwithstanding any slightly higher incidence of freight charges which may result.

So far as coal is concerned the scheme of diversion will have to apply to both Government and non-Government traffics. In the case of coal, it will be imperative for the scheme of diversion that some arrangements are made to ensure that the price to the consumers in the coastal areas to which coal is diverted is not much higher than if their requirements had moved by the all rail route.

We gathered from the Coal Controller that the question of evolving a scheme for selling coal at a uniform price throughout the country or alternatively in several zones into which the country is to be divided is under consideration. If such a scheme is evolved, this will involve pooling of freights for all movements and there should be no difficulty thereafter as the freight rates by the sea route can be included in the pool.

In case, such a scheme does not materialise, other specific freight equalisation arrangements will have to be introduced in respect of coal

transport to the coastal areas concerned and we leave to Government the decision of how best this can be done.

20. We further recommend that suitable machinery should be set up to watch the transport requirements and the general transportation position by rail and by sea and to make suitable recommendations from time to time as to the traffics in which commodities, in what quantities and between which areas there should be specific diversion to the sea route so as to ensure that the available tonnage is fully employed and the diversions achieve the maximum possible relief to railways.

The long term solution of rail and coastal shipping co-ordination

21. Our recommendations in regard to diversions of traffic are essentially in the context of the general transportation shortage that is expected to prevail during the Second Plan period and, very likely, for some time thereafter. To prevent any possible misunderstanding, we would state that we do not consider these measures as being appropriate for a long-term solution of the problem of rail and coastal shipping co-ordination.

On a long-term basis, the quantum of traffic to be conveyed by any one method of transport is best determined by the relative freight rates and the relative service features, as to move traffic otherwise, such as by enforced diversions or by adoption of artificial freight levels, will be to cause economic loss to the country.

The following quotations bear on this point:—

"Extract from National Transportation Policy by S. C. Oppenheim"

> "....The standards of the National Transportation Policy are multiple, not single. In some inter-carrier situations, however, cost factors may predominate. It does not necessarily follow that the duty of the Commission is discharged if, upon due consideration of all cost and service factors, it seeks to adjust rates of competing types of transportation by bringing their cost and service advantages and disadvantages into a state of equilibrium in order that all carriers may share in the traffic in controversy.
>
> If this policy were pursued on a wide scale it would have the practical effect of dissolving such advantages instead of preserving them. Such a policy cannot be reconciled with the mandate that the Commission should take positive measures to maintain and preserve the natural and economic superiorities of each type of carriage. Carriers of one type that possess cost and service advantages would be compelled to share them with carriers of a competitive type for the

purpose of compensating for the latter's cost and service disadvantages. Advances in economy and efficiency of one form of carriage would then be checkmated by rate adjustments that would neutralise the gains. Carried to its logical conclusions, such a rate co-ordination policy would cancel the inherent and economic superiorities of all forms and transportation.

Stated in such bald terms, it is apparent that the Commission would not countenance any such theory of competitive rate readjustments between the modes of transportation. There may be situations, however, where the empirical method offers temptation to make practical rate adjustments which may take on a semblance of this fallacious theory. There is a great appeal in the idea of equality of competitive opportunity based on a sharing of economic inferiorities and superiorities so that all carriers concerned can get a piece of the traffic pie. It may create artificial opportunities to compete on a give and take basis repugnant to the standards of the declaration of policy and the factors of the rate-control provisions. It penalises the efficient and rewards the inefficient on a false share and share alike hypothesis. It certainly is not conducive towards promoting sound economic conditions in transportation by encouraging the development of adequate, economical and efficient service in the public interest as demanded by the declaration of policy."

Extract of opinion expressed by J. B. Eastman, Chairman, Interstate Commerce Commission in his article

"The adjustment of rates between competing forms of transportation"*

".....The present widespread competition from other modes of transportation, both public and private, has brought cost of service into the foreground and given it a much greater degree of importance. In adjusting rates between competing forms of transportation, specific knowledge of respective costs of service, so far as it is attainable, seems essential.

I say "seems" in this connection, because there is a school of thought to the effect that when carriers of different types compete, each can contribute something in the way of service that

(*Published in the American Economic Review, Pt. 2, Vol. XXX, No. 1, Supplement March 1940.)

the other cannot supply, so that all ought to be available for public use. Therefore, it is urged, competitive rates ought to be adjusted to a basis which will be profitable to the carriers concerned, of whatever type, and which will permit them all to share in the traffic. In such an adjustment, those who hold this view would give lesser attention to respective costs of service, but in determining the general level of the rates would give heed to the value of the service, and they would also establish what are termed "differentials" in the rates, *i.e.* fix rates somewhat higher or lower for one type of carrier than for another, wherever necessary to bring about what they regard as a fair distribution of the traffic.

The carriers in many situations are likely to favour establishing a relationship in rates between competing carriers of different types. That might be parity in rates or it might be a differential relationship which would give one carrier a rate slightly lower than the other, the object being to establish a relationship which will permit the competitors to share in the traffic. I think that will be favoured by many carriers with the idea that after the relationship has been established, then it can be maintained on a higher level fixed by the Commission within the limits of reasonableness, rather than upon the lowest possible level to which it is likely to drift under conditions of unrestricted Competition."

"A further danger that we must be on guard against in fixing minimum rates is the establishment of an artificial and rigid method of rate making which will impair the incentive which free competition gives the carriers to increase the efficiency and economy of their operations. When it is borne in mind that the amount of transportation to be performed is not a fixed and static quantity, but one capable of expansion as facilities with lower costs are made available, it is not difficult to realise the danger to the development of the country if this incentive to improvement is removed or impaired."

As we have earlier stated, it is on low cost operation and the affording of a satisfactory service, that the long-term prosperity of our coastal shipping has to rest, and it seems to us quite clear, that more than through any other single factor, this is likely to be achieved through the provision of improved port facilities and the minimising of terminal delays to the coastal ships. The following quotation from the publication "Issues involved in a unified and coordinated Federal Program for

Transportation" of the U.S. Department of Commerce bears on this point.

> "As will be indicated later, supplementary objectives exist within the frame-work of this overall objective, but the development of an adequate and low-cost transportation system is the keystone of Federal transportation policy".

A view that has been mentioned to us by the concerned interests, bearing on this aspect, is that unless any contemplated diversion of traffic is on a long-term basis, it would be unfair and futile to expect the shipping interests to invest the requisite additional capital for expansion of the coastal fleet. On many grounds, we do not, however, consider that there is much force in this contention. Firstly, the diversions now contemplated will be in force for a period of years. Secondly, in a dynamic economy such as ours, there will be the general increase in traffic to take the place of diversions when the diversions are stopped. Further, adjustments of tonnage to fit in with any changed traffic availability can be made in the process of effecting replacements, and also, should the need arise, diversion of a part of the coastal fleet on to the overseas trade should not present any serious difficulty.

CHAPTER VIII

RATES OF FREIGHT

Representation of coastal conference for enhancement in freight rates

1. We now take up consideration of the first term of reference, namely, the reasonableness of the freights charged by coastal shipping with reference to its cost of operation.

We first sent round a questionnaire in August 1955, asking the Coastal Conference to state with reasons whether the rates charged were reasonable with reference to their costs of operation. As the reply received from them dated 17th December 1955 on this subject was not adequate or detailed enough for our requirements, we sent a supplementary questionnaire asking them to submit full and detailed particulars including the initial capital cost and book value of the coastal fleet and a summary of voyage accounts of each company grouped separately for "coal voyages", "salt voyages" and "general cargo voyages", giving full particulars regarding the tonnage carried, the freight earned, the time taken in the various operations etc. In their reply dated 7th February 1956, the Conference stated that the member companies had been asked to compile the voyage accounts etc., as required by the Committee and that some of the items might entail some delay and difficulty in preparation in the regular form. They, however, submitted a summary of accounts for four coastal companies, *viz.*, Scindias, Bharat, Malabar and New Dholera for the year 1954-55, which we append as an Annexure VIII.

2. It will be seen from the annexure that so far as the expenditure side is concerned, the following items have been added by the companies to the actual total operating expenses:—

(i) **Operating Expenses.**—It has been assumed that the operating expenses would increase by 5 per cent. over the next three years and an addition has been made on this account.

(ii) **Rehabilitation Reserve.**—In addition to normal depreciation as allowed by Income-tax authorities an equivalent provision has been added on as rehabilitation reserve. This has been justified on the ground that the replacement of the existing old units will cost very much more than the initial capital costs and that the depreciation fund accumulations

would be inadequate for this purpose. It has been mentioned as a precedent that the Tariff Commission had given special allowances for rehabilitation in respect of several industries.

(iii) **Return on Capital.**—The Conference claimed a return of 10 per cent. on the gross block on the analogy of the reported practice of the Tariff Commission. It was stated that this would cover interest charges, Managing Agents' remuneration, income-tax, bonus, and dividend.

On the basis of these allowances, the Conference indicated that the total expenditure of the four selected companies for 1954-55 would amount to Rs. 10·11 crores as against the earnings of Rs. 7·88 crores resulting in a shortfall in earnings of Rs. 2·23 crores or 28 per cent. of the actual gross earnings. They also stated that an increase to cover this shortfall would only meet the requirements of the present fleet but that, if the cost of a standard new ship was taken into account, the shortfall would be 55 per cent.

3. The information furnished by the Conference was again in adequate for us to reach any definite conclusions. In the first place, the vessels of some of the companies were employed partly in adjacent and partly in overseas trades. No adjustments appeared to have been made in respect of such non-coastal operations. Again, the accounts included assumed items like the rehabilitation allowance, rate of return etc., which had to be separately considered by us for acceptance, in principle. In these circumstances, we felt that a cost analysis of the accounts of the selected shipping companies in some detail would be necessary and requested the Government to appoint a Cost Accounts Officer to assist us in this work.

Appointment of Government Cost Accounts Officer

4. The Government appointed Shri K. R. Aravamuthan, Director of Costing in the Textile Commissioner's Office, to undertake the work and he and some other officers of his Directorate discussed the detailed figures with the four shipping companies whose summary of accounts had been furnished to us by the Conference and also with a fifth company *viz.*, the National Steamship Co. Ltd. We also considered it necessary that the Great Eastern Shipping Company, which is one of the large companies on the costs, should be asked to send full accounts like the other five companies referred to above. As the total dead weight tonnage and the earnings of these six companies constituted roughly 75/80 per cent. of the total figures for Indian

Shipping employed on the coast, it was considered sufficient to confine the examination to the accounts of these companies. The shipping companies also indicated that they would have no objection to the Cost Accounts Officers' inspecting their books and that they would give all the information required by them.

Analysis of Accounts of Selected Shipping Companies

5. The Cost Accounts Officers accepted, for purposes of working, the figures regarding voyage accounts as furnished by the companies, as further detailed examination of these figures would have entailed considerable delay, and also as these figures appeared to be generally in order. The cost analysis was directed to an examination of the working results, under the main headings, for the year 1954-55, which was the latest year for which full accounts were available, and of the corresponding figures for 1951-52 for purposes of comparison. The Cost Accounts Officers submitted the results of their examination in a separate report for each company and a consolidated report on the analysis of the combined accounts.

6. On the basis of the Cost Accounts Officer's analysis of the accounts of the six companies, we had a series of discussions in Bombay with the individual companies with a view to reconciling their figures and those of the Cost Accounts Officer as far as possible. During the course of these discussions, we considered also the question of making adjustments for the following two items:—

Additional Allowance in Operating Costs for 1955-56 over 1954-55

(i) **Operating Costs.**—As the analysis of the operating costs was based on the accounts of 1954-55 and there had been subsequent increases in the operating costs under different items, a suitable adjustment had to be made to bring the picture of expenditure up-to-date. We accordingly asked the various companies to furnish full particulars of the detailed increases under various items, which had taken place during 1955-56 as compared with the privious year. The figures furnished by the different companies were not uniform and it was difficult to reach any precise figure of increase for all the companies. The Scindia Company's figures indicated that, after allowing for the increase in the coal and oil prices, the total increase amounted to 1·75 per cent. of the figures for 1954-55. In a communication dated 31st July the Coastal Conference also represented that bunker coal prices had been raised by Rs. 3 per ton

with effect from 5th July 1956 and oil bunker prices had also been increased in two stages since March 1956, the total being Sh. 11 per ton at Calcutta and Madras and Sh. 4/6 at Bombay and Cochin. The Conference stated that, as the bulk of the intake of fuel oil was from Calcutta and Madras, the coastal ships consuming oil were hard hit. In addition, fuel consumption by coastal vessels was subject to a further levy by way of excise duty of Rs. 15 per ton since March 1956. Similarly, diesel oil prices were increased by Sh. 8/6 per ton at Bombay and Cochin and Sh. 15 per ton at Calcutta and Madras. Diesel oil was also subject to an excise duty of Rs. 30 per ton. It was stated that the increase in the price of coal had resulted in an increased expenditure of Rs. 3,85,250 and the increase in oil prices in an additional expenditure of Rs. 13,01,475 or a total of Rs. 16,86,725 for four companies, *viz.*, Scindia, Bharat, Great Eastern and Malabar, which together carried 13·72 lakh tons of cargo. It was accordingly claimed that an increase of Rs. 1/4 per ton in the freight rates was necessary as a consequence of this increase.

Provision for Maintenance and Special Survey Repair Charges

(ii) **Repairs.**—So far as "maintenance repairs" are concerned, the amounts involved are comparatively small and can be based on the actuals incurred. In regard to "Special Surveys", however, it was pointed out to us that they are arranged once in four years and that the expenditure is fairly heavy and increases with the age of the ship. For these reasons, it was suggested that provision for Survey Repairs should be made on the basis of an assessed annual figure to be worked out on the life of the ships. The Conference also observed that as the costs of repairs increased continuously, the figure of the average of past actuals would not give a correct index of their requirements. The Coastal Conference suggested the adoption of the following formula for estimating the cost of Survey Repairs:—

	For ships of about 8,000 DWT operating in the Wider Coast	For ships operating in the West Coast
Survey Repairs :		
1. Ships below 11 years of age.	2% of replacement cost per annum.	2·5% of replacement cost per annum.
2. Ships between 11 years and 19 years of age.	2·5 % per annum.	3·0% per annum.

	For ships of about 8,000 DWT operating in the Wider Coast	For ships operating in the West Coast
3 .Ships between 20 years and 23 years.	¼ of the 20th yearly survey per annum.	¼ of the 20th yearly survey per annum.
4. Ships between 24 years and 27 years.	¼ of the 24th yearly survey per annum.	¼ of the 24th yearly survey per annum.

Replacement cost of ships (1954-55) *basis* :—

8,000 tons DW	Rs. 80 lakhs.
Below 2,000 tons DW	Rs. 35 lakhs.
Between 2,000 tons and 3,500 tons DW	Rs. 45/50 lakhs.

We have adopted Rs. 1·4 lakhs per annum for the larger ships and Rs. 0·82 lakhs for the smaller ships to cover survey and repair charges.

Charters

7. In connection with the examination of the accounts, a question was raised whether the accounts of the charters employed by three of the companies should be taken into account. Although charters will cease to be a regular feature of the coastal trade in future, we felt that, as their earnings constituted a substantial portion of the total freight earnings of the Indian companies during the year under review, and as in that year the charter rates were not abnormal, their employment may be assumed to have yielded the same margin of profit as that of similar sized owned vessels on the coast, and we accordingly decided that the charter operations should be taken into both on the earnings and the expenditure side.

Operating costs for 1954-55

8. With regard to operating costs including ordinary depreciation the figures of expenditure attributable to the coast were agreed to by various companies. These items are port dues, fuel, stevedoring, commission, wages, victualling, stores, etc., management & insurance, miscellaneous items, depreciation and charter hire.

Adjustments have been made in these figures in respect of employment in adjacent or overseas trades, wherever necessary.

The depreciation figures represent the amounts allowed as per Income-tax rules.

The following statement indicates the final position regarding the various items of operating expenditure:—

(Figures in lakhs of Rs.)

	Scindias	Bharat	Great Eastern	Malabar	New Dholera	National	
(*a*) *Operational Items :—*							
1. Port dues . . .	13·62	10·73	8·21	3·07	3·16	1·17	
2. Fuel	47·10	25·82	17·84	8·04	7·95	3·93	
3. Stevedoring . . .	51·43	17·20	14·42	4·30	4·85	2·09	
4. Commission, etc. . .	18·73	2·92	4·23	0·82	0·98	0·40	
5. Wages, Victualling, Stores, etc.	106·72	19·13	16·92	6·07	5·75	3·95	
6. Management and Insurance	*	7·33	9·73	3·63	3·00	0·50	
7. Other items . . .	†	9·13	...	1·78	1·11	...	
	237·60	92·26	71·35	27·71	26·80	12·04	467·76
(*b*) *Other Items :—*							
1. Depreciation . . .	33·14	27·14	11·28	10·00	6·34	1·67	
2. Survey Repairs . .	21·56	10·60	5·86	3·62	3·62	1·64	
3. Charter hire . . .	15·65	16·87	19·60‡	...	...	...	
	70·35	54·61	36·74	13·62	9·96	3·31	188·59

(NOTE :— *Included in item 5; † Included in item 4).

(NOTE :— ‡ Includes a small proportion of miscellaneous expenses.)

9. We shall now deal with

(i) the Rate of Return on Capital, and

(ii) the need for a special rehabilitation allowance,

and the views of the Coastal Conference thereon.

Rate of Return on Capital

(i) As we have earlier stated, in respect of their existing fleet, the Coastal Conference have asked for a return of 10 per cent. on the 'Gross Block', this return to cover

(a) interest on borrowings;

(b) payment of income-tax;

(c) dividend to share-holders; and

(d) Managing Agency Commission.

In making this suggestion, they observed that this basis had been adopted by the Tariff Commission while making their recommendations regarding prices in respect of Cement and Iron and Steel industries.

We, however, find that the Tariff Commission has not rigidly adopted the concept of "Gross Block" while recommending the rate of return, nor has it recommended a uniform rate of return to all industries. In adopting a basis for calculating the appropriate return and in arriving at the actual rate to be recommended the Commission, as far as we have gathered, has generally been guided by the capital structure of each industry and its needs. In the case of the Rubber Tyre and Tube Industry the Commission allowed a 10% return on "employed capital" (which was defined as "fixed assets minus depreciation plus current assets excluding outside investments minus current liabilities") and, in addition, an allowance for additional depreciation for imminent capital expenditure. In some cases the Commission has also allowed the rate of return as a percentage on the cost of production.

This position was also taken note of by the Fiscal Commission in their Report of 1949-50 wherein they observed:

> "The return allowed on capital has also varied from time to time and from industry to industry. In the Steel industry 8% on the value of the Block was given. In the case of the Paper industry in 1938 the return allowed was 6%. In the case of the Sugar industry a return of 10% on Block was allowed and in the Cotton Textile industry 8% and 6% were allowed on Block in 1932 and 1936 respectively. As mentioned earlier, the present Tariff Board allows a

return of 10% on Block which includes an allowance for Managing Agent's commission.

In determining the return on capital it has been debated whether it should be on the "Capital employed" or on the value of the original "Block". This is another question that would require careful consideration by the Tariff Board in the near future. Some recent legislation on this subject in this country and abroad might offer valuable guidance on this subject.* We suggest that the future Tariff Authority should initiate detailed studies on this subject as soon as it is in a position to do so. These studies will not only help to standardise the practice of the Tariff Authority but also throw light on this difficult problem which will more and more engage the attention of Government as its role in industrial management and administration increases."

[*The provisions of the 6th Schedule to the Electricity (Supply) Act, 1948].

** ** **

"The entire subject of return on capital in protected industries and valuation of the capital employed or the Block on which such return is to be allowed should be subjected to detailed investigation by the Tariff Authority. We need not add that the return on capital should be fair."

We naturally had to bestow considerable thought on the question of what would be a reasonable return for the coastal shipping industry in this country.

Quite apart from a study of the recommendations of the Tariff Commission in respect of various industries, we have also attempted a wide study of the views expressed on this subject by a number of Commissions and experts, both in this country and elsewhere. Notwithstanding all this study, however, we have been constrained to come to the conclusion that there has so far been no invariable formula for deciding the rate of return in the process of price fixing, which has received general acceptance.

Rehabilitation Allowance

(ii) The average price of a 8,000 tonner now employed on the coast has been calculated to be approximately Rs. 28 to 30 lakhs, while under present conditions the figure of Rs. 80 lakhs quoted for a new steamship of the same size is reasonable. It will, therefore, be seen that the gap to be covered in replacement is indeed very large.

The Coastal Conference have cited as an example, the special allowances for imminent capital expenditure included in the prices recommended by the Tariff Commission in the case of the Cement and Iron & Steel industries, and have asked that in so far as their present fleet is concerned, an additional allowance equal to the normal depreciation should be included to facilitate replacements at current prices.

The question of rehabilitation allowance is another difficult problem, and in this case also neither the reports of the Tariff Commission nor our studies of similar reports in other countries have revealed any generally accepted formula.

The allowances included in the recommendations of the Tariff Commission in respect of the prices for Iron & Steel and Cement were based on the total capital needs for expansion of the concerned firms in the immediate future, and the amount of reserves the firms had and of the capital they would be in a position to raise.

On this subject, the Royal Taxation Enquiry Commission of the U.K. in their final Report in the year 1955 and our own Taxation Enquiry Commission of the year 1953-54 have observed as follows:—

"We do not accept that as a matter of principle a trader's profits in times of inflation must be computed with allowance for the cost of replacement of fixed assets or the fall in the purchasing power of money."

"Our review of the problem of replacement of fixed assets in industries (Chapter VII, Vol. 1) brings out the fact that the problem is one of maintaining and strengthening the incentive for expansion, including replacement, in the industrial sector generally rather than of replacement specifically. The problem of replacement in fact varies from industry to industry and from unit to unit and lends itself to solution more appropriately by way of loan finance through the various Government and semi-Government financial organisations than through tax relief."

Our recommendation is regard to enhancement in freight rates

10. We have, in these circumstances, thought that the best course would be to recommend such an increase in the freight rates as we consider would be reasonable in all the circumstances of the industry, and then test as to what reserves for rehabilitation such a rate will permit after a declaration of 6% tax-free dividend to the shareholders, as also as to what return such a rate will yield on the 'Gross Block' and on the 'Capital employed'.

11. We consider that to meet the conditions as now prevailing, a general enhancement of 15% in the rates of coastal freight as were in force just prior to 15 October 1955 would be appropriate and we recommend that these revised rates remain in force upto 31st March 1959 or approximately for a period of 2 years.

12. The gross earnings of the shipping companies whose accounts we have examined were for 1954-55 Rs. 713·19 lakhs.

The operating cost for the year 1954-55 were Rs. 656:35 lakhs as detailed in para. 8(a) and (b) above. To this figure, additions will have to be made for the increased price of fuel as now prevailing and the increases in the other items of operational expenditure.

The fuel oil prices have been increased successively since 1955 as follows:—

Bombay.—The price was sh. 128/6 in January 1955 and was increased in stages to 143 sh. in March 1956 and in further stages to 166 sh. in February 1957. The total increase is thus approximately 29%.

Calcutta.—The price was sh. 149 in January 1955 and was increased in stages to 167 sh. in March 1956 and to 199 sh. in February 1957, or a total increase of nearly 33%.

There were similar increases in other ports also. The estimated oil consumption of the coastal fleet was 57,843 tons and the increase claimed by the Conference was Rs. 13·01 lakhs at Rs. 22/8 (including Rs. 7/8 increase in price of oil and Rs. 15 excise duty).

As regards coal, the estimated consumption was 12,811 tons and an increase of Rs. 3·85 lakhs was claimed at Rs. 3 per ton.

The total claim was thus Rs 16·86 lakhs and works out to roughly 15% of the total fuel expense of 110·68 lakhs in 1954-55. The proportion of coal to oil burners has been given as 23 : 14 and assuming an increase of 10% in coal prices and 30% in oil prices, the weighted average increase in fuel costs comes to 17·5% and as fuel forms roughly 24% of the total operational items, we have assumed an increase of 4% in the operational expenses on this account.

Other items.—As we have stated earlier, we could not arrive at a uniform figure for the increases in other items as the figures received from the companies other than Scindias were varied and so we have decided to allow an *ad hoc* increase of 2% for the period subsequent to 1954-55.

These would bring up the operation expenses to—

Operational expenses as per statement in paragraph 8(*a*)	Rs. 467·76 lakhs.
2 % of above	Rs. 9·34 lakhs.
Fuel increase	Rs. 18·68 lakhs.
Other items of expenses as per paragraph 8 (*b*)	Rs. 188·59 lakhs.
TOTAL	Rs. 684·37 lakhs.

Taking the operating expenses adjusted as above and on the basis of the 15% general increase in freight rates we have recommended in paragraph 11 above and the special increase in the rates for salt we have recommended later in paragraph 18, the final position in respect of the companies whose accounts we investigated will be to enable them to declare a dividend of 6% tax-free and also to make a net provision of Rs. 37·14 lakhs per year towards rehabilitation as set down below:—

(Figures in lakhs of Rs.)

Earnings in 1954-55	713·19	
Earnings enhanced by 15%	106·98	
Special additional earnings in the case of salt	23·36	
Total anticipated earnings per year on the basis of the rates recommended	..	843·53
Operating cost including normal depreciation	656·35	..
Increase in operating cost in 1956-57 over 1954-55	28·02	
Total anticipated expenses on the basis of present day costs	..	684·37
Difference between earnings and expenses (*i.e.*, gross amount available for interest on working capital, interest on loans, Managing Agents' Commission, taxation, dividend on shares and provision for reserves)	..	159·16
Interest on working capital	5·90	
Interest on loans	20·58	
Managing Agents' Commission	13·27	
Taxes	52·54	
Dividend on shares	29·73	
Provision for reserves	37·14	
TOTAL	159·16	

The Gross Block of these companies attributable to the costal trade has been taken as Rs. 1192·55 lakhs (*vide* Annexure IX) which means, that the gross amount of Rs. 159·16 lakhs given above available for interest on working capital, interest on loans, Managing Agents' Commission, taxes, dividend on shares and provision for reserves, works out to 13·4%

on the Gross Block. Similarly the 'Capital Employed' of these companies attributable to the coastal trade has been taken as Rs. 1002·70 lakhs (*vide* Annexure IX) and the gross amount referred to above works out to 16% of 'Capital Employed'. In arriving at the figures of capital employed, we have taken the net value of the fixed assests and added working capital at Rs. 40 per DWT uniformly for the selected companies in respect of the tonnage employed by them on the coast. This procedure has been adopted in preference to the one where working capital is taken as current assets less outside investments minus current liabilities, as the latter calculation showed a minus figure in the case of certain companies

General remarks

13. We would like to point out that our calculations necessarily had to be approximate to some extent. As stated earlier, the accounts required by us were neither maintained nor furnished by the shipping companies in a form which was readily suitable for costing and which would have facilitated an early decision. Even the figures subsequently furnished by them to the Cost Accounts Officer had to be adapted, after some effort, so as to bring out the costs attributable to the coastal trade only. In the absence of uniform data we have had to make several assumptions on various points. We have, however, made an endeavour to make liberal allowances in respect of such assumptions having regard to the stagnant state of the coastal shipping industry and the accepted policy of Government to assist in its development.

We believe that the increase recommended by us would assist the industry to operate, with the present fleet, on a satisfactory financial basis.

We have referred in para. 2 above to the representation made by the Coastal Conference that if the cost of a standard new ship is taken into account, they would require a 55% enhancement in the rates in order to enable them to cover the deficit that would arise from the higher rate of depreciation and the larger amounts of interest charges payable in respect of such costlier ships. We understand that the costs of operation, especially under fuel, in respect of new ships is comparatively very much less than for old ships. We have pointed out in a later chapter, that so far as coastal shipping is concerned, the companies should be allowed to mix their fleet with second-hand fleet purchased at cheap prices so as to keep the average price per unit as low as possible. We have also drawn attention to the deterioration in the turn-round of ships at ports as being one of the main factors for the present high costs of operation on the coast and have emphasised that necessary steps be taken, not only to eliminate such delays but also to introduce further improvements in the turn-round of ships by the introduction of suitable handling facilities at ports, especially mechanisation.

In all these circumstances, especially when operations on the coast are being carried out and will be carried on with a mixed fleet, it would be

unrealistic to adjust the level of freight rates wholly on the basis of the costs of operation of a single new ship.

We have recommended in paragraph 11 that the revised freight rates we have suggested should remain in force for a period of two years. We suggest that on expiry of that period the position in respect of the several factors we have mentioned be reviewed and such adjustment in rates made as may become necessary.

14. In the course of our examination, we found that the overheads and certain other items of cost per ton-mile differed from company to company. We did not, however, have sufficient time or material to examine this aspect further and we have based our recommendation on the overall position in respect of all the companies whose accounts we have examined, taken together.

15. We realise that the effect of the increase in freight rates may be different with different companies in view of the difference in conditions in regard to organisation, types of fleet, operating conditions (*e.g.,* home trade or foreign going crews), type and nature of additional ships acquired etc. This position seems to us to be inescapable but we suggest that Government should watch and ensure that the amounts we have provided specifically as for building up of reserves, are so utilised.

Implementation of enhancement in respect of the West Coast trade and the Wider Coast trade.

16. As between the West Coast trade and the Wider Coast trade also we recommend that the same rate of increase be allowed, although it appears to us that the conditions in the two trades are distinct and the economics somewhat different. This arises from the facts that on the West Coast smaller ships acquired at cheaper prices are used, the traffic is entirely of general cargo which pays higher level of freight than bulk cargoes and the average utilisation factor is better than in the Wider Coast trade. There are also some unfavourable factors like the higher price of coal on the West Coast, the larger overheads due to the smaller size of the operating companies and the greater element of competition. We made an attempt to work out separately the financial results of the West Coast trade for the companies whose accounts were examined by us, but found that we could not reach any reasonably valid conclusions without examining the accounts of a majority of the companies operating essentially on the West Coast and in greater detail.

The Coastal Conference expressed the view that the factors which affect the small vessels on the West Coast also affect the large vessels which go to this coast and that "for the infinitesimal differences which may exist in the impact of rise in each of the items of costs of operation, as between West Coast and the Wider Coast vessels, a separate treatment

of the West Coast tariff ..... does not seem to be called for." This, however, was not the unanimous view of the Conference.

We suggest that Government should arrange for an examination of the question whether the freight tariff of the West Coast should not be entirely detached from that of the Wider Coast, so that rates in respect of each of these services and variations therein made from time to time, may appropriately reflect the economics of the particular service.

Anomalies in the existing shipping freight structure

17. In the course of our enquiries many instances of anomalies in the present structure of rates came to our notice. For instance, the rates between the same ports for bulk commodities like coal, salt or cement are substantially different. There are cases in which the differentials in the rates between the same groups of ports are not uniform. In some instances, the rates have been fixed without any reference to the distances involved, even in respect of rates between major ports. The rates for Cochin Port have been bracketed with those of some other minor ports in Malabar, although the conditions in these ports are substantially different. While we recognise that numerous factors enter the picture in the fixation of coastal rates, we feel there is need for the rationalisation of the present tariff on as scientific a basis as is possible without disturbing the total financial return and without causing too violent a variation in the relativity of rates at any one time. We discussed this subject with the Coastal Conference and they agreed to consider this subject at an early opportunity, after Government have taken their decisions on our report.

Recommendation in regard to enhancement in the present level of freight rates for salt by coastal shipping

18. Apart from these general observations in respect of the rationalisation of the freight rates charged in costal shipping, we have to make some special observations and a specific recommendation in respect of salt rates. In an earlier Chapter, we had indicated the changes in the level of freight rates for this commodity as being the outcome of negotiations and that this system of fixing the rates for salt might be given up. The rates for salt in bulk that were in force during 1954-55 from Tuticorin and Saurashtra ports to Calcutta compared as under with the rates for coal from Calcutta to these ports:—

Commodity	Station		Rate per to
	From	To	
			Rs. A. P.
Salt*	Tuticorin	Calcutta	21 12 0
Do.	Saurashtra ports	Do.	27 12 0
Coal†	Calcutta	Tuticorin	28 0 0
Do.	Do.	Saurashtra ports.	38 0 0

*Salt rates are those in force for the calendar year 1954.

†Coal rates are those in force for the year 1954-55.

We see no reason why the freight rates for salt should be less than the corresponding rates for coal in the reverse direction and we consider that the rates for salt should be brought up to the level of freight rates for coal. As such action will, however, result in a sudden and steep enhancement in the rates that will prevail after the general 15% enhancement recommended by us is made, we recommend that the revision be made in two stages, the increase in the first instance being 50% of the increase finally to be made to achieve equality between the rates for salt and for coal. In other words, the rates for salt will be:—

Commodity	Station		Rate per on
	From	To	
Salt	Saurashtra ports	Calcutta	37 12 0
Do.	Tuticorin	Do.	28 8 0

19. Subject to the rationalisation of the freight structure as suggested above, we are of the opinion that, in future freight revisions should, as far as possible, be confined to general increases or decreases, and that such variations should be made only when any important changes involving substantial financial implications, take place in the coastal trade or alternatively when over a period of time a number of changes have occurred, the cumulative financial implications of which are substantial.

Certain freight rates compared

20. In the context of the increase in rates we have recommended, we also tried to study roughly the comparative level of the freight rates in this country and in the coastal trades of other countries and also the comparative increases made in other trades recently.

We have, however, been able to get only limited information on a comparable basis.

We append below for example, the rates for some selected commodities in the U.K. between London and Liverpool (distance 645 miles), in shillings and the corresponding rates between Bombay and Cochin, wherever available:—

	London/Liverpool	Bombay/Cochin
	sh. d.	Rs.
Gunnies	74/7	34/8 per measurement ton.
Grain	67/2	22/.
Hemp	86/8	34/8* per measurement ton
Drugs	119/8	12½ *ad valorem.*
Iron and Steel	70/7	47/8

	London/Liverpool	Bombay/Cochin
	sh.'d	Rs.
Textiles . .	82/5	37/- per measurement ton.
Spices . . .	147/-	34/8*
Fertilisers . .	62/9	22/8
Hides and Skins Dry	74/7	} 34/8*
Wet, salted . .	82/5	
Cotton . . .	82/5	per measurement ton. 33/- per measurement ton.
Fibre . . .	89/5	Do. 42/8

(* general cargo rate).

It will be observed that the rates for these commodities on our West Coast compare favourably with the rates in the U.K.

Recent increases in freight rates in overseas trades

21. The impact of increases in costs has been more in the overseas trades than in the coastal trade and several increases have been made by the Conferences concerned during the last two years. For example the U.K. Continent Conference has made 3 increases during this period, apart from the Suez surcharges.

22. The impact of the increases in costs is also evident from the high level of tramp freights in the neighbouring trades. As instances, we mention the following:—

Calcutta/Colombo Coal.—During 1952, the rates varied from sh. 80 in January to sh. 48 in December. In 1953 the rates stood at about sh. 47/6 and in 1954, it fell to 42/6 in 1955, it began to rise and the following rates prevailed in 1956-57:—

	Sh.
January, 1956	57/6
July, 1956	77/6
January, 1957	77/6

Calcutta/Rangoon Coal.—In 1953, the rates fluctuated from sh. 34 to sh. 37 and in 1954 stood round about 37/6. In 1955 the rate rose to near 42/6 and the following rates prevailed in 1956:—

	Sh.
September/October, 1956	50/-
Current indications	75/

Rangoon/Cochin Rice.—The following were the rate between 1952 and 1957:—

	Rs.
1952	39
1953	33
1954	30
1956	65
1957	63

Coastal rates have doubtless to be fixed based on the economics of the coastal lines and not on the fluctuations in the tramp rates; but in general terms, from the above particulars the conclusion emerges quite clearly that the level of coastal rates that we have recommended is not unduly high either in itself or in relation to the level of the rates that have prevailed during recent years.

Machinery for collection of shipping statistics

23. **Statistics for freight fixation in future.**—In the light of our experience, we feel that in order to enable future proposals for variations in the coastal rates to be dealt with satisfactorily and expeditiously, some arrangements should be made to develop an adequate organisation, which would collect and maintain necessary information for similar enquiries. This organisation should collect the data in suitable forms to be prescribed in advance, so that they could be used readily for cost analysis. In our view, this organisation is best developed in the Directorate General of Shipping and further that it should work in close collaboration with the Coastal Conference.

Machinery for fixation of freight by the sea route

24. **Machinery for freight fixation.**—We have considered also the question whether there should be any standing machinery for fixation or revision of freight rates. We feel that the setting up of such standing machinery is not necessary at this stage, as we have proposed that future variations should, as far as possible, be confined to general increases or decreases and we feel that the volume of work involved would be very limited. Whenever there are any special circumstances justifying a detailed enquiry, Government could exercise their powers under the Control of Shipping Act and set up an *ad hoc* Board for the purpose.

CHAPTER IX

THROUGH BOOKING ARRANGEMENTS

1. Our terms of reference include an item, with reference to the co-ordination of rail-sea traffic, reading

> "the possibility of extending through booking arrangements between Railways and Shipping for movement by combined rail-sea route wherever possible."

There are even at present arrangements in two areas for through booking of goods by the rail-*cum*-sea route.

Existing facilities for thourough booking

On the Central Railway, through booking arrangements exist between Bombay Harbour and stations reached *via* Marmugao. This traffic is however, at a standstill now, owing to the discontinuance of shipping services to Goa since September 1954. On the Western Railway, there are through booking arrangements between Bombay Harbour and stations in the Saurashtra area *via* the Saurashtra ports. For sometime through booking arrangements were also in force on the West Coast with the old South Indian Railway *via* Cochin.

2. Both in the case of the Western and Central Railways, the shipping services were catered to by the Bombay Steam Navigation Co., now merged with the Scindia Steam Navigation Co. The agreement for through booking arrangement *via* Goa provides for the maintenance of a regular schedule of services and the cargoes received from inland or from Bombay by sea are to be exchanged at Marmugao between the Railways and the Shipping Company. The arrangements regarding through booking of goods *via* the Saurashtra ports are also similar. The Scindia Company in all these cases have their representatives at the various ports and the books of the Company in relation to the through booking arrangements are subject to inspection by the Railways. The arrangements have worked satisfactorily, but during recent years, in spite of difficulty in movement of traffic by rail to Bombay from Saurashtra, the rail-*cum*-sea route has not been freely utilised by the trade.

Recommendations in regard to through booking facilities

3. We are of the opinion that the facility of through booking should be continued and expanded wherever possible.

The pre-requisite for the success of this scheme would be the maintenance of regular shipping services to enable prompt clearance of cargoes

coming by rail and also the maintenance of a single shipping organisation with which the Railways will have to deal.

We are of the view that West Coast and South India being well served by ports, traffic movements by the rail-*cum*-sea routes between North and South India, if encouraged, would afford assistance to the trade and would be particularly useful for encouraging movement of general cargo by the sea route.

4. We discussed this subject at all our meetings with the commercial insterests and they were all in favour of the proposal. We have been informed by the Railway Board that there would be no objection to the institution of through booking arrangements, subject to the conditions mentioned in the preceding paragraph. The Coastal Conference also favour the proposal and they have suggested tentatively a list of stations which may be covered under through booking arrangements through the undermentioned ports:—

Name of ports	Stations to be covered
(1) Kandla	The entire territory of Kutch, Palanpur, Mehsan, Marwar Jn. and Ajmer.
(2) Okha	All stations upto Surendranagar, Mehsana and Abu Road.
(3) Bedi Bander	All stations upto Surendranagar, Mehsana and Abu Road.
(4) Porbandar	All stations upto Surendranagar, Mehsana and Abu Road.
(5) Veraval	All stations upto Surendranagar, Mehsana and Abu Road.
(6) Bhavnagar	The entire territory of Saurashtra and stations upto Mehsana and Ahmedabad.
(7) Bombay	Navsari, Bulsar, Surat, Broach, Baroda, Ahmedabad, Kalyan, Nasik, Nagpur, Poona, Kolhapur, Ahmednagar, Dhond and Gulbarga.
(8) Kozhikode	Coimbatore, Tiruppur and Mahe.
(9) Cochin	Tiruppur, Quilon, Trichinopoly, Erode, Salem and Coimbatore.
(10) Tuticorin	Tinneveli, Madura and Trichinopoly.
(11) Madras	Arkonam, Salem, Erode, Trichinopoly, Guntakal, Raichur, Guntur and Bezwada.
(12) Visakhapatnam	Waltair, Vizianagaram, Raipur, Rajahmundry, Bezwada and Guntur.
(13) Calcutta	Kharagpur, Jamshedpur, Asansol, Balasore and Cuttack.

5. We recommend that through booking facilities be introduced wherever the Coastal Conference agrees to operate the arrangements on the principles mentioned above, the rates charged being the sum total of the rates over the rail and the sea portions or such other lower rates as may be mutually agreed to between the Coastal Conference and the railways.

CHAPTER X

STANDING MACHINERY FOR CO-ORDINATION

1. Another item of our terms of reference is:

> "to advise whether any standing machinery should be set up for considering all problems concerning rail-shipping co-ordination or allocation of traffic between the two forms of transport".

Trades views on standing machinery

We dicussed with the various Chambers of Commerce and the Coastal Conference the question of setting up a suitable machinery for promoting rail-sea co-ordination on the lines outlined in our recommendations in paragraphs 14, 15 and 19 of the Chapter VII.

Views of the Coastal Conference

The Chambers are generally in favour of setting up a Central Organisation and regional organisations at ports with representatives of the Railways, the Director-General of Shipping, the Coastal Conference and Trade interests. The Coastal Conference also recommended a similar co-ordination machinery for the following functions:—

(a) To take timely decisions with regard to berthings of coastal vessels *inter se* for the carriage of the assured volumes of cargo on the coast by sea;

(b) To promote through booking of cargoes within the framework of the through booking arrangements;

(c) To exchange information in relation to rates and consider if possible the adjustment of such rates for commodities other than bulk cargoes so as to promote the movement of traffic by sea;

(d) To exchange views on matters of common concern.

Our recommendations in regard to standing machinery.

2. We have carefully considered this matter and feel that having regard to the nature of our recommendations, laying down of the general pattern of movement by the two routes can be dealt with by a sub-committee of the Central Board of Transport of which senior representatives of several Ministries are members. Government have already taken

steps to form various sub-committees of the Central Board of Transport to deal, *inter-alia,* with the following problems from the planning aspect:—

(i) Co-ordination between the ports and the railways for handling traffic.

(ii) Co-ordination between rail and sea movements.

(iii) Co-ordination between movement by rail and inland steamers.

(iv) Co-ordination between rail and road transport or development of road transport generally.

The functions of the appropriate sub-committee can therefore, be enlarged to review the tonnage and cargo availability position from time to time and decide on the type and volume of cargoes which should move by the sea route, so as to ensure adequate employment of the available tonnage and maximum relief to railways. Whenever changes occur, as for instance when the coastal tonnage increases or decreases, or when there is pressure on any particular section of the railway, it would be for the railway or shipping interests to bring up proposals for suitable modification of the framework.

While general decisions may be taken by this body, local Committees could be set up to implement the decisions and to examine all questions concerning local matters of detail.

Machinery for freight fixation

3. As regards the setting up of standing machinery for purposes of fixation or revision of freight rates, we have mentioned previously, that we do not feel it necessary to do so at this stage, as we have proposed that future variations should, as far as possible, be confined to general increases or decreases, in which case too the work involved would be small. Should, however, there by any special circumstances justifying a public enquiry, Government can always exercise their powers under the Control of Shipping Act to set up an *ad hoc* Board for the purpose.

CHAPTER XI

SOME GENERAL SUGGESTIONS

Aids to coastal shipping

1. We have referred in the course of our report to the trend of rising costs which is affecting the competitive position of coastal shipping. As replacement of old units proceeds, particularly where new units are built at present-day costs, the depreciation element in the operating costs is bound to rise requiring further upward revision of rates. As it is of the utmost importance for the success of rail-sea co-ordination that the disparity between rail and sea rates should be kept down to the minimum and, if possible, reduced, it is desirable that steps should be taken to assist coastal shipping to operate as economically as possible. We accordingly make the following suggestions for consideration in this connection:—

(i) **Tonnage additions.**—We appreciate that the coastal shipping companies will have to feed the Hindustan Shipyard with a proportion of their orders; but in view of the influence of high capital costs on the freight rates, we suggest that these companies should be allowed to mix their fleet with second-hand ships purchased at cheap prices so as to keep the average price per unit as low as possible.

(ii) **Loan terms.**—Under the present arrangements, the expansion programme is substantially financed by Government loans. In view of the concessional loan terms granted and the better opportunities in the overseas trades, there has been more rapid increase of tonnage in this sector than in coastal trade.

In view of the desirability of increasing the coastal tonnage also rapidly, we recommend that consideration may be given to the possibility of granting some concessional terms for loans for the purchase of coastal ships, though we must here state that the increase in freight rates we have recommended is based on the loan conditions now prevailing.

(iii) **Terminal charges.**—We have referred to the large part played by these charges in the economics of shipping and also the importance which is attached in other countries to the reduction of these charges. We suggest that, wherever possible, port dues, wharfage and other charges should be levied on coastal shipping on a concessional basis. The different Port Authorities who were consulted on this matter were not

in favour of such a measure being introduced. There, however, appears to be no objection to such special treatment from the point of view of the International Convention concerning Maritime Ports. Likewise, where the port facilities or stevedoring and other services are provided distinctly and separately from those of overseas ships, the charges should, if possible, be on a concessional basis.

(iv) **Concessional port to port freight rates by rail.**—We understand that certain port to port rates quoted previously by railways to attract traffic to the rail mode of transport are still in force. In the present circumstances where diversion is made to promote traffic by the sea route, such rates are no longer justified and should be withdrawn. We are also informed that the Railway Board have already issued instructions for their withdrawal.

(v) **Turn-round of ships.**—We have already referred to the importance of improving the turn-round of coastal ships and the adverse effects the present delays are having on the level of freight rates. In the case of bulk cargoes like coal, adequate berths should be provided in Calcutta and all other causes of delays should be rectified: Similarly, at discharge ports, adequate berths for discharge should be provided and lighterage facilities extended. Mechanical handling facilities especially on the basis of the selective nature of the commodity involved should also be introduced or extended at the ports so as to minimise turn-round time. Similarly special facilities should be considered for other bulk cargoes also.

(vi) **General cargo loaders.**—We suggest that special attention should be given to the possibility of developing general cargo trade as, in our opinion, there is scope to do so. The most important improvement necessary for attracting and expanding general cargo traffic is by the provision of regular sailings at reasonable intervals. We have already referred to the fact that the port delays suffered by general cargo vessels have resulted in the suspension of regular sailings in the intercoast trade. As regularity is very essential, particularly, for the success of the through booking arrangements, we recommend that the port authorities should grant preferential berthing facilities for general cargo ships on the coast. The requirements of coastal shipping in this respect will be very limited and will not, it would seem, interfere with the normal working of the ports. These berths could be allotted jointly to the companies which agree to berth regular general cargo sailings. The Conference, on its part, will evolve rationalised sailing schedules with a view to ensuring not only regular sailings but also an equitable division of the available cargo opportunities. They should further evolve arrangements for joint booking with a view to promoting through booking with railways. Such arrangements would also obviate local competition between the companies for cargo.

Suggestions of certain state governments for improving coastal shipping

In this connection a suggestion was made by some of the State Governments that regular sailings of medium sized vessels in the Wider Coast with scheduled calls at selected minor ports would not only promote general cargo traffic but assist in the development of these ports and also afford some relief to the congestion now being experienced at major ports. This proposal can evidently refer only to general cargo trade, as the pattern of movement of bulk commodities is more or less fixed. So far as traffic under the control of the Central Government is concerned, we referred this proposal also to the various Ministries which have cargoes moving on Government account on the coast but from their replies it would appear that there is very little possibility of much Government cargo being available for diversion to minor ports. We also took this matter up with the Coastal Conference and we reproduce below the views expressed by them on the subject:—

> 'The Conference wishes to state that it is the desire of the Member lines to serve the maximum number of ports as far as practicable but it would be difficult to make a call at a port where very little cargo materialises. Complaints about non-availability of tonnage are generally made by vociferous parties who have very little cargo to offer. Experience has shown that the maximum that a Saurashtra port can offer at a time is less than 500 tons consisting of consignments of small sizes and such offerings are made only when there is considerable price differential in their favour in commodities like Cotton, Oil seeds etc. It is the considered view of the Conference that no genuine trade interest has ever suffered for want of regular berthings at all these Saurashtra ports, because genuine trade interests in salt, cement, foodgrains, etc., have been well served by the various Conference lines. Besides the non-availability of sufficient cargo, another risk is that of delay at these ports either for want of berth or for want of lighters. In view of this, it is extremely uneconomic for a vessel to lift a small quantity of cargo either from Saurashtra or Andhra ports where indefinite waiting is involved. In spite of this, the Conference has already conveyed its desire to the Director-General of Shipping to berth vessels at these minor ports provided there is a minimum load of 500 tons at each port for each of the destination ports."

We feel that the attitude of the Coastal Conference is not realistic as it will be difficult for anyone to guarantee minimum loads of 500 tons, especially in general cargo. While we appreciate their point that lighter and handling facilities should be improved wherever they are

inadequate, we feel that there is scope for development of general cargo, traffic, at least in some selected minor ports. We hope the Coastal Conference will give consideration to this proposal when regular general cargo services are arranged on the coast.

(vii) **Joint Booking Organisations.**—For reasons which we have already indicated and, in view of the difficulties which the shippers of "smalls" were experiencing, we suggested to the Conference to consider the possibility of their opening common City Booking Offices and Warehouses where all cargoes could be received for despatch by the first available vessel. The Conference's reply regarding this suggestion is also reproduced below:—

> "At present Brokers, Sub-Brokers, Mucadums and Clearing and Forwarding Agents contact the shippers and hand over the cargo to a Shipping Company and in most cases they do all the work connected with documentation. This well-knit and coherent system has worked to the satisfaction of all concerned. The Conference feels that your Committee's suggestion would only eliminate this group and transfer their functions to the Coastal Conference. What is necessary is not such a transfer of functions but simplification of Port and Customs formalities particularly in relation to coastal cargoes to facilitate movement of goods by sea.
>
> Secondly, a shipper is interested in getting documents which are negotiable with a Bank. Under the existing statutes Shipping Companies cannot issue a Bill of Lading until the goods are on board. Even if the Shipping Companies arrange for accepting cargoes at a City Booking Office and Warehousing them the shippers are not likely to be interested in such an arrangement as they would not be assured of a negotiable document.
>
> Thirdly, while at present, the liability of shipping companies arises only as common carriers. there will be complications under the proposed arrangements about liability for damage to packages, loss by pilferage, etc., *not as carriers* but as warehousemen and bailees. The Conference, therefore, regrets its inability to consider the implementation of this proposal."

It will be seen that they have not received the suggestion favourably.

While the maintenance of a City Warehouse is probably not unavoidable and the purpose could be served equally if the ports allow a permanent berth and/or shed for the joint services of the Conference, we feel that the shipping companies have not appreciated the advantages of opening of Joint Booking Offices at the principal ports.

(viii) **Topping up of coal at Visakhapatnam.**—Another suggestion which we placed before the Conference was whether it was practicable for the Lines to top up coal cargo at Visakhapatnam in ships coming short-loaded from Calcutta due to draft limitations in the River Hoogly, a reasonable differential in the freight charges being allowed. The Conference Lines pointed out that berthing capacity at Vizag was so inadequate and work so slow that ships would have to spend a number of days for topping up even 1000/1500 tons. In view of the alleged uneconomic nature of the proposition, the Conference Lines were not inclined to call at Visakhapatnam for topping up.

We feel that this proposal also is worth detailed examination, as topping up arrangements would have the advantages of enabling the ships to carry larger cargoes and of a smaller number of ships implementing the coal programme, and we accordingly recommend that such an examination in detail be taken in hand.

Additional government control of coastal shipping

2. During the course of our enquiries we heard several complaints against the costal shipping companies, and in particular, a complaint was made that subsequent to coastal reservation, the usual evils of a monopoly system have become apparent. Reference was made to the fact that in spite of increasing demands for shipping space, the companies were not augmenting their fleets and that the available tonnage was much below the level prevailing in the preservation period. There were also complaints, especially in Calcutta and in Saurashtra ports, that general cargo loaders were too few and space on them very difficult to get. There were also suggestions that there was a tendency on the part of the lines to neglect the less paying sectors. In order to enable coastal shipping to play its due part in the transport economy of the country, it is important, next in importance to the increase of tonnage, that the operations of the coastal ships should be regulated, to ensure that no sector of the trade is neglected. In view of this and having regard to the extent of Government assistance proposed, it appears to us that a certain amount of increased Government control is inevitable. We understand that at present the Director General of Shipping deals with the Conference as a whole in regard to tonnage requirements for specific movements and that he does not generally interfere with the employment of the ships of the individual companies. These arrangements do not appear to have produced the best results from the point of view of requirements of coastal trade and we feel that in future the control by the Director General of Shipping should be exercised in such a way that the entire pool of coastal tonnage is used to the best advantage of the country and as an effective limb in the co-ordinated transport arrangements.

Conclusion

3. In conclusion we wish again to stress the importance and urgency of the problem of increasing rapidly the costal tonnage.

We have referred to the fact that the shipping companies on the coast have not taken steps to increase their tonnage on the plea that coastal freight rates are not sufficiently remunerative.

The preamble to our terms of reference emphasises that "Government have already accepted as a matter of policy that there should be an adequate and efficient coastal fleet which will cater to the needs of the country" and also draws attention to "the importance of rationalistion and co-ordination of cargo movement by railways and coastal shipping in view of the large investments proposed by the railways, ports and the shipping industry under the Second Five-Year Plan". Our approach to the problems dealt with by us have naturally been in accord with the spirit of these passages in the preamble and our recommendations have been designed to enable coastal shipping to serve the country's need for additional transport, to operate economically and to secure a reasonable return.

Arising from the reservation of the coastal trade for national shipping, the shipping companies on the coast have also an obligation to augment their fleet.

We have made positive recommendations for freight rates, which will not only give a reasonable return on the invested capital but also include financial provision for rehabilitation. There should therefore be no longer any hesitation on the part of the shipping companies to develop and enlarge their coastal fleet to the prescribed extent.

Should there, however, be such hesitation, we consider, that in view of the urgent necessity for additional transportation, especially in the later years of the Second Plan period, Government should explore all possible alternatives, including that of Government's direct participation in coastal shipping.

Whatever be the method adopted, we consider it imperative that the full planned tonnage of 4·2 lakhs for the coastal and adjacent trades should be reached and as much of it as possible by the end of the year 1959, as thereafter acute transportation shortage is anticipated.

CHAPTER XII

SUMMARY OF RECOMMENDATIONS

Re: Item 1(a) of the terms of reference

1. We recommend that a general enhancement of 15% in the rates of coastal freight as were in force prior to 15th October, 1955, be made without any distinction as between rates for the West Coast trade and the Wider Coast trade and that in regard to the freight rates for coal traffic, an appropriate enhancement be granted with retrospective effect as from 1st April, 1956, in view of the undertaking given in this regard by Government. (Para. 11, Chapter VIII).

2. We also recommend that the freight rates for salt should generally be brought up to the level of the freight rates for coal in the reverse direction. As, however, such a revision is likely to bring about a sudden and steep enhancement in the freight rates for salt they can be revised in the first instance from Saurashtra port to Calcutta and from Tuticorin to Calcutta as follows:—

Commodity	Stations. From	Stations. To	Rate per ton. Rs.
Salt	Saurashtra ports .	Calcutta .	37 12 0
Do.	Tuticorin . .	Do. .	28 8 0

(Para 18, Chapter VIII)

3. The enhancements recommended are on the basis of the operating costs for the year 1954-55 with due allowance for increases in fuel and other costs that have taken place since then and upto now. In the absence of any special disturbing feature, the revised rates are to remain in force for a period of two years, *i.e.*, upto 31st March, 1959. The matter will be reviewed thereafter in the light of such additions to the fleet as may have been made, and such increases in operating expenses and improvements in the turn-round of ships at ports as may have been brought about. (Paras. 11 and 13, Chapter VIII).

Re: Item 1(b) of the terms of reference

4. We recommend that in the context of the general policy of development of shipping and the overall transport shortage anticipated

during the second half of the present Plan period Government should take urgent steps to ensure attainment of target of 4·12 lakhs GRT for the coastal and adjacent trades as indicated in the Second Five-Year Plan. (Para. 5, Chapter VI).

Further, we consider it imperative that, whatever be the method adopted, as much of this tonnage should be reached by the end of the year 1959 as thereafter we anticipate a sharp and substantial increase in the demand for additional transportation facilities. (Para. 3, Chapter XI).

5. With this total tonnage of 4·12 lakhs of shipping, we expect that it will be possible to carry about 50 lakhs tons of cargo and that if necessary steps are taken cargo pertaining to adjacent trades carried in our ships may increase to about 8 to 10 lakh tons, leaving a total requirement of about 40 lakhs tons of cargo in the purely Indian coastal trade. Against this the existing movements by coastal shipping may be expected to increase by about 10 per cent. in the Second Plan period over the figures of 1954. The main cargo availability would therefore be 31·6 lakh tons leaving a balance of 8·4 lakh tons to be found by promotional means. This may be split up into 6 lakhs tons in the loaded direction from East to West on the Wider Coast and the balance in the opposite direction also on the Wider Coast. (Paras. 5, 6 and 7, Chapter VI).

On an analysis of the present pattern of movements, the total volume of general cargo available for diversion from the rail to the sea route is only of the order of 2 to 3 lakh tons. (Para. 7, Chapter II).

It is possible to find additional cargo of 6 lakh tons in the Wider Coast in the East to West direction almost entirely from Coal. (Para. 14, Chapter VII).

There is also scope for finding some cargo from other items like food-grains, fertilisers and iron & steel. (Para. 14, Chapter VII).

In the reverse direction, the main hope of securing additional cargoes is a slight increase in salt shipments and some movements of cement. There may also be increasing volumes of trade in bitumen and packed petroleum products from the Bombay refineries to other coastal ports. (Para. 14, Chapter VII).

We recommend that in respect of these items of traffic a positive policy of diversion to the sea or rail-*cum*-sea route be adopted to the extent necessary for adequate utilisation of coastal shipping and in such a manner as to afford maximum relief to the railways notwithstanding a slightly higher incidence of freight charges which may result. (Para. 19, Chapter VII).

6. We do not, however, recommend any enforced diversion to the sea route of any traffic of the private parties except in the case of coal. (Para. 19, Chapter VII).

7. So far as coal is concerned, we consider it imperative for the scheme of diversion of traffic to the sea route that some arrangement is made to ensure that the price to consumers in the coastal areas to which coal is diverted is not much higher than if their requirements had moved by rail.

We understand that the question of evolving a scheme of selling coal at a uniform price throughout the country or alternatively in several zones into which the country is to be divided is under consideration. If such a scheme is evolved, our recommendation will merely involve pooling of freight for all movements including those by the sea route.

In case such a scheme does not materialise, other specific freight equalisation arrangements will have to be introduced and we leave it to the Government to decide as to how this is to be done. (Para 19, Chapter VII).

8. As a long-term solution for restoring the inherent advantages and the competitive position of coastal shipping, we recommend that as in other countries every effort be made to reduce terminal costs for transportation by sea through the provision of improved port facilities for avoiding or minimising delays to coastal shipping, and wherever possible, if necessary even by charging preferential port charges for coastal shipping. (Para. 4, Chapter VII).

In this context, we feel that we cannot too strongly emphasise the need to improve the working conditions at the ports in every way, so that the enormous national loss that results from undue delays to ships may be avoided. (Para. 10, Chapter IV).

We suggest also that the assessment made by the Ministry of Transport in regard to the provision for increased capacity of ports during the Second Plan period be reviewed in the light of our remarks made in this connection. (Para. 11, Chapter IV).

9. We recommend that the facility of through booking by the rail-*cum*-sea route as at present in force be continued and extended wherever possible. (Para. 3, Chapter IX).

Re: Item 2 of terms of reference

10. We recommend that the allocation of different descriptions of traffic as between the rail and the sea routes be dealt with by a sub-committee of the Central Board of Transport of which senior representatives of the various Ministries are members. This sub-committee should review the tonnage and cargo availability position from time to time and decide on the nature and volume of cargo which should move by the sea or rail-*cum*-sea route, so as to ensure adequate employment of available shipping tonnage on the one hand and give maximum relief to the railways on the other. (Paragraph 2, Chapter X).

11. Apart from this sub-committee at the Centre to deal with the general overall position, we recommend that local committees be set up at each of the major ports to implement decisions of the Government based on the recommendations of the sub-committee and also to examine all questions concerning local matters of detail. (Para. 2, Chapter X).

12. We do not at this stage recommend the setting up of any standing machinery for purposes of freight fixation. We consider that future variations should, as far as possible, be confined to general increases or decreases and as the volume of work involved would be very limited, a standing machinery as such will not be required. Whenever there are any special circumstances justifying a detailed enquiry, Government could exercise their powers under the control of Shipping Act to set up an *ad hoc* Board for the purpose. (Para. 24, Chapter VIII).

Additional recommendations

13. The recommendations we have made for freight increases include an allowance of Rs. 37·14 lakhs per annum towards rehabilitation and the building up of reserves. We recommend that the Government should take suitable steps to ensure that the funds are so utilised. (Paras. 12 and 15, Chapter VIII).

14. Although as between West Coast trade and the Wider Coast trade we have recommended that the same rate of increase be allowed now, we suggest that the Government may arrange for an examination of the question whether the freight tariff of the West Coast should not be entirely detached from that of the Wider Coast at a convenient opportunity so that rates in respect of each of these services and variations therein made from time to time, may appropriately reflect the economics of the particular service. (Para. 16, Chapter VIII).

15. We consider that there is scope and need for the rationalisation of the present tariff on as scientific a basis as is possible without disturbing the total financial return and without causing too violent a variation in the relativity of rates at any one time.

The Coastal Conference have agreed to consider this subject at an early opportunity after Government have taken their decisions on our report. (Para. 17, Chapter VIII).

We recommend that this be further followed up.

16. We recommend that in order to enable future proposals for variations in the coastal rates to be dealt with satisfactorily and expeditiously suitable arrangements be made to develop an organisation which will collect and maintain necessary statistics in appropriate forms to be prescribed in advance so that they could be used readily for purposes of cost estimation. In our opinion this organisation is now best developed in the Directorate-General of Shipping and that it should work in close collaboration with the Coastal Conference. (Para. 23, Chapter VIII).

17. Subject to the rationalisation of the freight structure, we are of the opinion that in future, freight revisions should, as far as possible, be confined to general increases or decreases and that such variations should be made only when any important change involving substantial financial implications takes place in the coastal trade or alternatively when over a period of time a number of changes have occurred the cumulative financial implications of which are substantial. (Para. 19, Chapter VIII).

18. We recommend that consideration be given to the possibility of granting concessional terms for loans advanced for purchase of ships for coastal operations. [Para. 1 (ii), Chapter XI].

19. We recommend that preferential berthing facilities at ports for general cargo ships on the coast be granted. [Para. 1 (vi), Chapter XI].

We further suggest that consideration be given for the levy, wherever possible, of port dues, wharfage and other charges on coastal shipping on a concession basis. [Para. 1 (iii), Chapter XI].

20. We recommend that the Coastal Conference should evolve rationalised sailing schedules with a view to ensuring regular sailings and calls at as many ports as possible, as the prevailing shortage of general cargo is in a substantial measure due to the irregular clearing opportunities offered. [Para. 1 (vi), Chapter XI].

21. We suggested to the Coastal Conference consideration of the possibility of their opening common City Booking Offices and Warehouses in the larger cities where all cargoes could be received for despatch by the first available vessel. The Conference did not receive the suggestion favourably. We consider, however, that the matter should be reviewed by them, as it appears to us that they have not appreciated the full advantages of opening of joint booking offices at the principal ports. [Para. 1 (vii), Chapter XI].

22. We recommend that detailed examination be made of the economies of topping up coal cargo vessels at Visakhapatnam, coming short-loaded from Calcutta, due to the draft limitations in the river Hooghly. [Para. 1 (viii), Chapter XI].

23. We consider that in future control should be exercised by the Director General of Shipping over coastal shipping in such a way that the entire pool of coastal tonnage is used to the best advantage of the country and as an effective limb in the co-ordinated transport arrangements. (Para. 2, Chapter XI).

JUSTICE N. S. LOKUR,
Chairman.

B. DAS,
Member.

M. GOVINDA REDDY,
Member.

S. R. KALYANARAMAN,
Member.

P. R. SUBRAMANIAN,
Member.

Dated Tuesday, the 9th April 1957.
New Delhi.

ANNEXURE I

RAIL-SEA CO-ORDINATION COMMITTEE

Questionnaire to the Railway Board

1. What was the volume of traffic that moved by rail during the year 1953-54 between each coastal port and the inland areas served by it on the one hand and the other coastal ports and the areas served by them on the other?

NOTE.—(*a*) The figures should cover all commodities in which movements are 1,000 tons and above.

(*b*) Separate figures should be given for traffic of the "West Coast Lines" and the "Wider Coast Lines".

2. (*a*) What quantities of loco-coal were moved in 1953-54.

(*i*) by rail.
(*ii*) by sea.

(*b*) How much of (a) (*i*) above was moved to the area within 200 miles of—

(*i*) Bombay,
(*ii*) Mormugao.
(*iii*) Cochin.
(*iv*) Tuticorin.
(*v*) Cuddalore.
(*vi*) Madras.
(*vii*) Vishakhapatnam, and
(*viii*) to the whole of Saurashtra and Cutch.

3. (*a*) Is it possible to indicate, even on an approximate basis, the actual cost to the Railways of transporting a wagon load (B.G.) of coal for various zonal distances ?

(*b*) What are the actual rates charged for such zonal distances ?

(*c*) Have the Board any suggestions to make regarding the freights charged by Shipping Companies for transporting coal to various Ports ?

4. What is the level of rail freight rates that is likely to prevail at the end of the Second Five Year Plan period compared with the level of rates at present ?

5. (*a*) How far would it be feasible to introduce through booking for movements of traffic by rail-*cum*-sea, sea-*cum*-rail, and rail-*cum* sea-*cum*-rail routes to meet the requirements of a promotional policy.

(*b*) What *modus operandi* to the same end would the Board suggest ?

(*c*) What modifications in the Indian Railways Act, 1890, and what additional legislation would be necessary in the context of such control?

6. How should the precise field of rail and sea transport be defined with due regard to the need for preserving the inherent advantages of each form of transport ?

7. What regulatory measures would the Board suggest as needed for such an economic allocation of traffic?

8. Have the Board under consideration any schemes of expansion which cater substantially for movement of (a) Coal (b) Salt (c) Foodgrains (d) Fertilisers and (e) Cement which can be moved by sea ? If so, please indicate

(*i*) name of Scheme
(*ii*) cost of Scheme, and
(*iii*) revenue expected from the above commodities item-wise.

9. Are there any other observataions that the Board wish to make in relation to the terms of reference ?

RAIL-SEA CO-ORDINATION COMMITTEE

Questionnaire to the Indian Coastal Conference and Individual Shipping Companies

1. (*a*) What are the principles governing the fixation of charges for the transport of commodities by coastal shipping ?

(*b*) Explain the existing Shipping Rates Structure and its special features, if any.

(*c*) What has been the enhancement in the level of rates for coastal shipping cargo between 1938-39 and 1954-55 and to what do you attribute this enhancement?

2. Has a uniform system of shipping rates been adopted by the Shipping Companies plying the coastal trade ?

3. Do you charge freights lower than the tariff rates and if so, in what circumstances ?

4. State, with reasons, whether the rates now charged are reasonable with reference to the costs of operation.

5. What will be the likely level of cargo rates at the end of the Second Five Year Plan period in comparison with the existing rates ?

6.(*a*) Have there been any instances of discriminatory treatment either in regard to the basis of shipping rates and/or the conditions attached thereto and/or the levy of other charges, if any ?

(*b*) How far have such instances been settled to the satisfaction of the complainants ?

7. What are the volume and earnings from port to Port traffic by sea in all commodities together and in the following commodities for the years 1951-52, 1952-53 and 1953-54 ?

Alumina, Aluminium Ingots, Automobiles, Bicycles, Cement, Coal, Cotton-Raw, Foodgrains, Fertilisers, Gunnies, Hessian, Iron and Steel, Oil-Seeds, Paints, Paper, Rubber, Rubber manufactures, Salt, Sugar, Tea, Textiles and in any other commodity in which there is substantial traffic separately.

8. (*a*) What was the extent of unutilised carrying capacity in coastal shipping during the year 1953-54 ?

(*b*) State the reasons for such unutilised carrying capacity .

NOTE.—A note is attached explaining the procedure for drawing up the required statement.

9. What are the Port charges and other dues ?

10. (*a*) What are your suggestions for diverting traffic from the railways to coastal shipping and state the reasons for recommending the same.

(*b*) Have the Ports the necessary facilities to cater for this additional coastal shipping traffic ?

(*c*) To what extent will the additional tonnage in coastal shipping planned for in the First and Second Five Year Plans meet the requirements of the additional traffic envisaged in (*a*) above ?

11. (*a*) How far would it be feasible to introduce through booking for movements of traffic by rail-*cum*-sea, sea -*cum* rail and rail-*cum*-sea-*cum*-rail routes to meet the requirements of a promotional policy ?

(*b*) What are the specific commodities for which there should be through booking arrangements and state the specific areas and the Ports between and through which arrangements should be made.

12. (*a*) How should the precise field of rail and sea transport be defined with due regard to the need for preserving the inherent advantages of each form of transport ?

(*b*) What regulatory measures are suggested as needed for such an economic allocation of traffic ?

13. What commodities do you consider are suitable for transport by sea from the long term point of view ? State your reasons for the same.

14. Are there any other observations you wish to make in regard to the terms of reference ?

Note *Vide* Question 8

The Statement should be prepared on the factual basis, and should relate to all coastal voyages in the year 1953-54, of the different runs of ships. The difference between the carrying capacity and the actual cargo in respect of all the voyages will give the extent of the unutilised carrying capacity. The figures are to be shown separately for the following Sectors :—

(1) Calcutta— Visakhapatnam.
(2) Visakhapatnam— Madras.
(3) Madras— Cuddalore.
(4) Cuddalore— Tuticorin.
(5) Tuticorin— Cochin.
(6) Cochin— Mormugao.
(7) Mormugao— Bombay.
(8) Bombay— Saurashtra Ports and Kandla.

NOTE.— If a ship covers more than one Sector, *e.g.*, a ship sailing direct from Calcutta to Tuticorin, the empty space is to be shown against all four sectors covered by the voyage.

Questionnaire to the Port Authorities.

1. What principal commodities enter into the coast-wise shipping trade of your Port ?

2. Give the total volume of such traffic and also separately for the different principal commodities for the years 1951-52, 1952-53, 1953-54 and 1954-55.

3. Are the existing port facilities for coastal traffic commensurate with the volume handled ? How do such facilities compare with those provided for the overseas traffic handled ?

4. (*a*) What is the volume of coastal traffic anticipated by the end of the Second Five Year Plan period ?

(*b*) What additional port facilities for coast-wise shipping are being provided to meet such likely increases in traffic ?

5. (*a*) What are the commodities and between which points do you consider despatches can be promoted by the sea route or the combined rail and sea route ?

(*b*) What is the volume of additional traffic *via* the port which you expect will materialise by such action ?

6 (*a*). What extra port facilities do you consider will be necessary for dealing with such additional traffic.

(*b*) What is the likely capital cost of providing such additional facilities ?

7. It has been alleged that the procedure of booking coast-wise traffic is complex and there are no separate berths for export and coastal shipping leading to inordinate delay, as customs formalities are initially to be observed for all traffic. What measures would you suggest to overcome such handicaps ?

8. (*a*) How far would it be feasible to introduce through booking for movements of traffic by rail-*cum*-sea, sea-*cum*-rail and rail-*cum*-sea-*cum*-rail routes ?

(*b*) Have you any suggestions to make in regard to the mechanics of such through booking ?

9. (*a*) What are the various port dues and other charges, including those for stevedoring, incurred by despatchers and consignees at your port ?

(*b*) Do they vary from commodity to commodity ? If so, please indicate the general basis followed in the fixation of such charges ?

(*c*) What have been the changes in the level of all such charges since 1939-40 and on what basis have the changes been made ?

10. (*a*) What measures would you suggest for reducing the time taken in terminal operations in respect of coastal shipping traffic so as to bring about a reduction in the coastal freight rates ?

(*b*) How far would you approve of private industries providing their own port facilities for commodities such as coal, cement, fertilisers, oils (vegetable and mineral in bulk), petroleum products, iron and steel meant for the coast-wise trade ? How far should such facilities be extended to agricultural products such as foodgrains, organic manures, oil-seeds and oilcake ?

(*c*) How far would it be feasible to fix separate and lower port terminal charges for coastal traffic as compared to those for overseas traffic ?

11. To what extent do you consider the suggestions contained in your answer to the Question 10 above as likely to reduce the waiting time of ships ?

12. Do you advocate the setting up of a standing machinery for considering all problems concerning rail-shipping co-ordination and /or the allocation of traffic between the two forms of transport and if so, what is the machinery you would recommend as needed for the purpose ?

13. Do you consider that any traffic is hed up for want of coastal shipping and if so, to what extent ?

14. Are there any other observations that the Port Authorities wish to make in relation to the terms of refernece ? (A copy of the Government of India Resolution containing the terms of reference and copies af the Questionnaires issued to the Railway Board and the Indian Coastal Conference are enclosed for information).

ANNEXURE II

List of Chambers of Commerce and Trade Associations that replied to the Commitee.

1. Ahmedabad Millowners' Association—Ahmedabad.
2. All India Manufacturers' Organisation—Bombay.
3. Association of Rubber Manufacturers' in India—Calcutta.
4. Bengal Chamber of Commerce and Industry—Calcutta.
5. Bengal National Chamber of Commerce—Calcutta.
6. Bharat Chamber of Commerce—Calcutta.
7. Bombay Chamber of Commerce—Bombay.
8. Bombay Coal Allocation Committee—Bombay.
9. Bombay Oilseed Crushers' Association—Bombay.
10. Bombay Oilseed Exchange, Ltd.—Bombay.
11. Calcutta Tea Traders Assiocation—Calcutta.
12. Coal Consumers Association of India—Calcutta.
13. Cocanada Chamber of Commerce—Cocanada.
14. Cochin Chamber of Commerce—Cochin.
15. Delhi Chamber of Commerce—Delhi.
16. Delhi Hindusthani Merchantile Association—Delhi.
17. Federation of Indian Chambers of Commerce and Industry—New Delhi.
18. Indian Chamber of Commerce—Calcutta.
19. Indian Chamber of Commerce—Cochin.
20. Indian Chamber of Commerce—Coimbatore.
21. Indian Chamber of Commerce—Tuticorin.
22. Indian Colliery Owners' Association—Dhanbad.
23. Indian Jute Mills Association—Calcutta.
24. Indian Merchants' Chamber—Bombay.
25. Indian Rubber Industries Association—Bombay.
26. Indian Salt Manufacturers' Association—Bombay.
27. Iron and Steel and Hardware Merchants' Chamber of India—Bombay.
28. Madras Chamber of Commerce—Madras.
29. Madura-Ramnad Chamber of Commerce—Madurai.
30. Maharashtra Chamber of Commerce—Bombay.
31. Malabar Chamber of Commerce—Calicut.
32. Millowners' Association—Bombay.
33. Morvi Chamber of Commerce and Industry—Morvi.
34. Muslim Chamber of Commerce—Madras.
35. National Chamber of Industries and Commerce, U.P.—Agra.
36. Nawanager Chamber of Commerce—Jamnagar.
37. Okha Chamber of Commerce—Okha.
38. Punjab Merchants' Chamber—Delhi.
39. Saurashtra Millowners' Association—Surendranagar.
40. Tuticorin Chamber of Commerce—Tuticorin.
41. Tuticorin Salt Manufacturers' and Merchants' Association—Tuticorin.
42. Upper India Chamber of Commerce—Kanpur.
43. Vanaspati Manufacturers' Association of India—Bombay.

ANNEXURE III.

List of witnesses together with the names of organisations they represented and places where they gave evidence before the Committee.

S. No.	Name of organisation	Place at which evidence was given	Names of the representatives
1	Port Trust, Madras	Madras	1. Shri G. Venkateswara Iyer, I.C.S., Chairman.
2	Port of Cochin, Cochin	Cochin	1. Shri M. S. Venkataraman, Port Administrative Officer.
3	Indian Chamber of Commerce	Cochin	1. Shri G. J. Asher. 2. Shri Balakrishna Menon.
4	Cochin Chamber of Commerce	Do.	1. Mr. W. E. Northey.
5	Coal Controller, Calcutta	Calcutta	1. Shri P. M. Nayak, I.C.S., Coal Controller. 2. Shri S. V. M. Sundaram, Dy. Coal Controller (Distribution).
6	Calcutta, Port Commissioners	Do.	1. Shri R. K. Mitra, I.C.S., Chairman.
7	Bahrat Chamber of Commerce	Do.	1. Shri K. L. Dhandhania. 2. Shri A. L. Agarwal. 3. Shri L. R. Das Gupta. 4. Shri A. Mukherji.
8	Indian Chamber of Commerce	Do.	1. Shri K. M. Naik. 2. Shri M. C. Parekh. 3. Shri L. S. Bhist.
9	Bengal Chamber of Commerce	Do.	1. Mr. A. A. G. Weir.
10	Bengal National Chamber of Commerce.	Do.	1. Shri T. D. Chatterji. 2. Prof. S. K. Roy. 3. Shri S. C. Sanyal. 4. Shri S. Banerjee. 5. Shri A. K. Dass Gupta.
11	Indian Colliery Owners' Association, Dhanbad.	Do.	1. Shri K. L.Ojha.
12	Coal Consumers' Association of India.	Do.	1. Shri Madan Lal H. Vakil. 2. Shri S. S. Parik
13	Vizagapatam Port	Visakhapatnam.	1. Shri S. Nanjundiah, Port Administrative Officer.
14	Visakhapatnam Steamship Agents' Association.	Do.	1. Shri V. V. Raju. 2. Shri Y. S. Parkasa Rao

S. No.	Name of organisation	Place which evidence was given	Names of the representatives
15	Shipping Employees' Federation	Visakhapatnam.	1. Shri K. S. Dutt. 2. Shri D. Satyanarayana.
16	Ripley & Co.	Do.	1. Mr. D. V. Winckler.
17	Chamber of Commerce	Bhavnagar	1. Shri Prabhu Das Ramji Mehta. 2. Shri L. G. Seth. 3. Shri Nautan Lal J. Mehta. 4. Shri Ghanshyam Gokulji. 5. Shri Brajlal Gokuldas Vora. 6. Shri M. K. Sethia. 7. Shri M. U. Parekh.
18	Nawanagar Chamber of Commerce	Jamnagar	1. Shri Kantilall P. Shah. 2. Shri Shivlal G. Shah. 3. Shri B. M. Salanki. 4. Shri H. V. Bardanwala. 5. Shri N. P. Shah. 6. Shri A. O. Ahya. 7. Shri K. D. Renthather. 8. Shri L. P. Kataria. 9. Shi B. M. Tanna. 10. Shri Devji Jethabhai. 11. Shri B. Shah.
19	Okha Port	Okha	1. Shri D. K. Tamhane, Port Officer and Harbour Master.
20	Mithapur Chemical Works, Mithapur.	Okha	1. Shri Sivaraman.
21	Kandla Port	Kandla	1. Shri P. N. Saxena, Development Commissioner.
22	Chamber of Commerce	Do.	1. Shri Amritlal V. Mehta. 2. Shri A. L. Nanavati. 3. Shri Radheyshyam Bansal.
23	Morvi Chamber of Commerce	Morvi.	1. Shri A. K. Ganpade. 2. Shri M. G. Asher. 3. Shri C. M. Sanghir. 4. Shri N. K. Vohra. 5. Shri B. C. Jani.
24	Government of Saurashtra	Rajkot	1. Shri Rasiklal Parekh, Chief Minister. 2. Shri M. Bhatnagar, Joint Secretary, Industries Deptt. 3. Shri H. P. Oza, Administrative Officer, Ports and Chief Engineer. 4. Shri K. V. Srinivasan, Director of Industries. 5. Shri R. K. Panjabi, Dy. Secy., Communications Department.

S. No.	Name of organisation	Place at which evidence was given	Names of the representatives
25	Coal Merchants, Association	Rajkot	1. Shri Shivlal Vohra.
26	Chamber of Commerce Rajkot	Do.	1. Shri Durgaprasad Desai.
27	Associated Cement Companies of India, Ltd.	Do.	1. Shri N. S. Sen.
28	Bombay Port Trust	Bombay	1. Shri L. T. Gholap, C.S., Chairman.
29	Bombay Chamber of Commerce	Do.	1. Mr. F. Keller. 2. Mr. Barker. 3. Shri Manilal H. Patel. 4. Mr. R. B. Leonard. 5. Shri Sadguru.
30	Maharashtra Chamber of Commerce	Do.	1. Shri B. G. Garware. 2. Shri D. G. Mulherker. 3. Shri R. G. Mahadikar.
31	Indian Merchants' Chamber	Do.	1. Shri Naval H. Tata. 2. Shri M. A. Master. 3. Shri R. G. Saraiya. 4. Shri B. D. Somani. 5. Shri A. C. Ramalingam. 6. Lt. Col. J. D. Hothawala. 7. Shri M. K. Desai.
32	All Indian Manufacturers' Organisation.	Do.	1. Shri S. N. Haji. 2. Shri M. L. Tannan. 3. Shri B. D. Somani. 4. Shri D. M. Trivedi. 5. Mr. F. R. Moos. 6. Shri P. L. Badami.
33	Millowners' Association.	Do.	1. Shri G. D. Somani. 2. Shri R. L. N. Vijayanagar. 3. Shri Arvind N. Mafatlal.
34	Ahmedabad Millowners' Association, Ahmedabad.	Do.	1. Shri Shantilal Mangaldas.
35	Federation of Gujerat Mills and Industries, Baroda.	Do.	1. Shri R. R. Patel.
36	Bombay Coal Allocation Committee.	Do.	1. Shri S. C. Seth.
37	Indian Coastal Conference	Do.	1. Shri Dharamsey M. Khatau. 2. Shri S. C. Javeri. 3. Shri H. M. Trivedi. 4. Shri A. H. Maru. 5. Shri G. T. Kamdar. 6. Shri N. P. Mehta. 7. Shri V. V. Kothari. 8. Shri T. P. Sambhus.

Sl. No.	Name of organisation	Place at which evidence was given	Names of the representatives
			9. Shri M. R. Joshi. 10. Shri Vasant J. Sheth. 11. Shri J. P. L. Shenoy. 12. Shri K. M. Sheth. 13. Shri Pratapsinh S. Vallabh das. 14. Shri Dilipsinh S. Vallabh das. 15. Shri Rasiklal H. Narechania. 16. Shri T. V. Krishnan.
38	Salt Commissioner, Government of India.	New Delhi	1. Shri S. C. Aggarwal.
39	Federation of Indian Chambers of Commerce & Industry.	Do.	1. Shri G. D. Somani, M.P. 2. Shri Rai Bahadur G. M. Modi. 3. Shri G. L. Bansal M.P.
40	Southern India Chamber of Commerce.	Madras	1. Janab K. S. G. Haja Shariff.
	Madras Chamber of Commerce .	Do.	1. Mr. P. Hadfield.
42	Salt Manufacturers and Merchants Association, Tuticorin.	Do.	1. Shri M. M. Gurunath, M.A.
43	Madras and Andhra Salt Industrialists Association	Do.	1. Shri R. M. Subramaniam. 2. Shri A. Rodraj.

ANNEXURE IV

Sea Route distributed as between the West Coast and wider coast Lines

Statement of the Rail Traffic that can be diverted to the Sea

Commodities	From	To	West Coast Line		Wider Coast Line	
			East to West	West to East	East to West	West to East
Aluminium Powder	Calcutta Zone 3	Cochin Zone 1	...	...	7,259	...
Aluminium Ingots	Cochin Zone 1	Calcutta Zone 1	...	..	...	2,788
Cement	Tuticorin Zone 1	Madras Zone 1	.	...	...	5,499
	Cuddalore Zone 2	Bombay Zone 1	...	...	4,933	...
		Madras Zone 1	...	...	...	16,601
		Calcutta Zone 1	...	...	...	27,573
		Bombay Zone 1	3,182	...	...	...
Cotton	Navlakhi Zone 3	Bombay Zone 1	3,227	...	...	...
	Bhavnagar Zone 2	Calicut Zone 1	...	...	4,907	...
		Cochin Zone 1	...	...	2,600	...
		Cochin Zone 2	...	...	3,700	...
		Cochin Zone 3	...	...	8,300	...
Foodgrains	Masulipatam Zone 1	Madras Zone 1	...	...	16,178	...
	Masulipatam Zone 2	Bombay Zone 1	...	...	3,077	...
		Calicut Zone 1	...	...	7,262	...

Commodity	From	To	West Coast Line		Wider Coast Line	
			East to West	West to East	East to West	West to East
		Cochin Zone 1	...	...	3,100	...
		Cochin Zone 3	...	...	4,800	...
		Madras Zone 1	...	...	3,805	...
	Coconada Zone 1	Bombay Zone 1	...	...	2,912	...
		Calicut Zone 1	...	...	5,048	...
		Cochin Zone 1	...	...	8,619	...
	Coconada Zone 2	Calicut Zone 1	...	...	20,196	...
		Cochin Zone 1	...	...	28,366	...
	Vizagapatam Zone 1	Calcutta Zone 1	...	...	...	19,328
	Vizagapatam Zone 2	Bombay Zone 1	...	...	6,407	..
			...	6,409	1,42,069	71,737
Hessian	Calcutta Zone 1	Bombay Zone 1	...	...	5,782	...
Manure	Cochin Zone 1	Calicut Zone 1	2,879	...	...	...
		Madras Zone 1	...	...	...	6,451
		Madras Zone 3	...	...	...	1,940
		Mangalore Zone 1	3,775	...	...	...
Oil cake	Porbandar Zone 2	Bombay Zone 3	...	3,982	...	...
	Veraval Zone 2	Bombay Zone 3	...	5,420	...	...
	Bhavnagar Zone 1	Bombay Zone 3	...	3,925	...	...
Rubber	Calcutta Zone 1	Bombay Zone 1	...	...	4,118	...
	Bombay Zone 1	Calcutta Zone 1	...	...	...	2,903
Soda Ash	Navlakhi Zone 3	Bombay Zone 1	...	5,000	...	...
		Calcutta Zone 1	...	...	...	6,500
Soap	Bombay Zone 1	Madras Zone 1	...	...	...	4,238
Turmeric	Masulipatam Zone 2	Calcutta Zone 1	...	...	...	3,612
			6,654	24,736	1,51,969	1,00,383

NOTE:— Zone 1=Area within 50 miles of a port.
Zone 2=Area within 51 to 100 miles of a port.
Zone 3=Area within 101 to 200 miles of a port

ANNEXURE V

Statement showing particulars of Indian owned Tonnage

(As on 31st July, 1956)

1. COASTAL TRADE

Name of the Company	Name of vessel	Year of Built	G.R.T.	D.W.T.
M/s. Scindia Steam Nav. Company Ltd., Bombay	1. Jaladuta	1927	4,966	8,113
	2. Jalaganga	1936	4,981	8,046
	3. Jalamoti	1942	7,133	9,274
	4. Jalakrishna	1937	4,991	8,046
	5. Jalamohan	1941	5,969	8,800
	6. Jalapadma	1951	5,104	8,009
	7. Jalapalaka	1951	5,104	8,013
	8. Jalapankhi	1950	5,100	8,022
	9. Jalaprabha	1949	5,103	8,050
	10. Jalaprakash	1949	5,098	8,010
	11. Jalapratap	1952	5,103	7,997
	12. Jalapushpa	1952	5,130	7,960
	13. Jalarajan	1946	5,085	8,020
	14. Jalaratna	1930	3,960	6,540
	15. Jalausha	1948	5,102	8,050
	16. Jalaputra	1954	5,172	8,050
	17. Jalayamuna	1936	4,981	8,046
	*18. Bhadravati**	1932	1,449	1,477
	*19. Kalavati	1929	1,408	1,455
	*20. Sonavati**	1936	1,638	2,402
	*21. Saraswati**	1949	3,750	3,695
	*22. Sabarmuti**	1949	3,750	3,715
	*23. Jalabala	1946	1,208	2,100
	*24. Jalatarang	1944	1,917	2,100
	*25. Jalatapi	1956	2,671	3,273
			1,05,873	1,57,263
M/s. Bombay Steam Nav. Co. (1953), Ltd.	26. Champavathi@	1949	1,288	241
	27. Chandravati@	1923	556	252
	28. Hiravati@	1931	580	277
	29. Ratnagiri@	1935	590	316
	30. Rohidas@	1949	1,288	241
	31. St. Anthony@	1936	452	172
			4,754	1,499
M/s. Bharat Line Ltd.	32. Bharatratna	1954	5,172	8,050
	33. Bharatjal	1930	4,696	8,150
	34. Bharatkhand	1943	2,905	4,533
	*35: Bharatkumar	1924	1,645	2,200
	*36. Bharatlaxmi	1944	1,541	1,250
	37. Bharatmitra	1951	5,104	8,006
	38. Bharatraja	1942	7,132	10,372
	39. Bharatrani	1942	7,126	10,372
	40. Bharatveer	1943	7,274	10,530
	41. Bharatvijaya	1943	5,977	8,755
	*Bharattarani	..	2,348	..
			50,920	72,218
M/s. Great Eastern Shipping Co. Ltd.	42. Jagganga	1951	1,527	2,008
	43. Jagjamna	1951	1,527	2,008
	44. Jagrani	1952	5,103	8,010
	45. Jagshanti	1941	4,854	8,000
	46. Jagtara	1954	3,982	6,500
	47. Jagjyoti Tanker	1948	8,208	13,125
			25,201	39,651
M/s. Ambica Steam Nov. Company Limited.	48. Ambica	1911	1,678	2,010
			1,678	2,010

(NOTE :—*Vessels employed purely in the West Coast trade.
**Passenger-*cum*-cargo vessel.)

(NOTE.—@Purely passenger vessel
*Vessels employed purely in the West Coasts.)

Name of the Company	Name of vessel	Year of Built	G.R.T.	D.W.T.
M/s. Nakavar Steamship Co. Ltd.	49. Jagdamba*	1933	1,416	2,470
	50. Janeta	1941	5,536	9,780
	51. Janani	1947	4,221	7,490
			11,173	19,740
M/s. New Holera Steamships Limited.	52. Jayhind*	1923	1,374	2,170
	53. Jayshoor	1941	5,970	8,800
			7,344	10,970
M/s. National Steamship Comapny Limited.	54. Jaylanka*	1915	1,602	2,475
	55. Jyoti*	1949	1,355	2,500
			2,957	4,975
M/s. Merchant Steam Nav. Co. Ltd.	56. Oostacapable*	1921	751	1,201
	57. Sagarlaxmi*	1926	1,895	3,500
	58. Sagarprabha*	1932	1,413	2,650
			4,059	7,351
M/s. Africana Co. Ltd.	59. Sagarveena*	1936	983	1,200
	60. Victoria Maria*	1927	1,432	2,170
	61. Sagar Rani*	1948	1,573	2,500
			3,988	5,870
M/s. Chandbali Steamer Service Co. Ltd.	62. Ramakrishna	1943	1,791	2,000
	63. Ramaraja	1912	783	985
			2,574	2,985
M/s. South East Asia Shipping Co. Ltd.	64. Maharashmi*	1943	1,791	2,000
	65. Mahakhursheed*	1938	1,050	1,570
			2,841	3,570
M/s. Indian National Steamship Co. Ltd.	66. Sivaratna	1921	983	1,484
	67. Sivaranjita	1928	5,881	9,300
			6,864	10,784

(NOTE:—*Vessels employed purely in the West Coast.)

Name of the Company	Name of vessel	Year of Built	G.R.T.	D.W.T.
Southern Railway	68. Irwin	1949	970	200
	69. Goschen	1949	970	200
			1,940	400
M/s. India SS Co. Ltd.	70. Indian Commerce	1950	2,124	3,700
M/s. Hindustan Shipping Co.	71. Baitrani	1925	368	500
M/s. Akhooji Jadwat and Co. Limited.	72. Safeena	1944	208	300
M/s. Brunton (Engg.) Ltd.	73. Asoka	1949	184	200
M/s. Gill Amin & Co. Ltd.	74. Sheila Margaret	1944	682	690
M/s. Asiatic SS Co.	75. Neelambhu	1943	473	490
M/s. Tankers, Ltd.	76. Rubina	1944	683	794
M/s. Bhogilal Muljibhai & Co. Ltd.	77. Mira	1940	189	200
M/s. P. C. Ray & Co.	78. Ray Andamans	1922	2,256	3,500
M/s. Meridian SS Co. Ltd.	79. Kilfenora	1920	979	1,200
M/s. Ambassador SS Co. Ltd.	80. Khuzistan	1924	871	980
			9,017	12,554
	GRAND TOTAL		2,41,183	3,51,840

ANNEXURE VI

(Figures in lakhs of Rupees)

Statement showing the Authorised and Paid-up capital of the Indian Shipping Companies.

S. No.	Name of Company	Capital	
		Authorised	Paid-up
1	Scindia Company	960·00	940·19
2	India Steam	300·00	300·00
3	Great Eastern	100·00	85·37
4	Bharat Line	300·00	100·00
5	Eastern Shipping Corporation	1000·00	550·00
6	Malabar Steam	80·00	21·00
7	New Dholeras	10·00	9·22
8	National Steam	10·00	2·21
9	Africana	5·00	2·24
10	South East Asia	10·00	5·00
11	Chandbali	(under liquidation)	
12	Gill Amin	10·00	2·1
	TOTAL	2785·00	2017·352

ANNEXURE VII

TELEGRAMS
"TRANSPORT"

GOVERNMENT OF INDIA
MINISTRY OF TRANSPORT
(TRANSPORT WING).

No. 40-*MS*(81)/57.
New Delhi, the 12th March, 1957

From

Shri S. K. VENKATACHALAM,
Under Secretary to the Govt. of India.

To

The Secretary,
Rail-Sea Co-oridination Committee,
122, Santhome High Road, Mylapore, Madras-4.

SUBJECT.—*Prospects of improvement in the turn-round of ships during the Second Five Year Plan period at the ports.*

Sir,

I am directed to refer to your letter No. CSCC-M/55, dated the 26th November, 1956, on the subject noted above and to furnish below the particulars required by you.

2. The table given below furnishes comparative figures of the peak traffic handled in each of the major ports during the past years and the traffic handled in 1954-55.

Ports	Traffic handled during peak period	Traffic handled during 1954-55
		(In million tons)
Calcutta	10·88 (1945-46)	7·81
Bombay	7·58 (1954-55)	7·58
Madras	2·58 (1944-45)	2·20
Cochin	1·58 (1951-52)	1·55
Visakhapatnam	1·39 (1953-54)	1·03
	24·01	20·17

3. It will be seen that from the existing facilities the ports have sufficient capacity to handle a total traffic of 24·01 million tons. The work already completed and the new works taken in hand are designed to provide the following additional port capacities :—

Calcutta	1·5	million tons
Madras	0·5	" "
Cochin	1·25	" "
Visakhapatnam	1·75	" "
Kandla	1·75	" "
	6·75	" "

4. A statement is enclosed which shows projects now in hand and the approximate time of completion. When these facili ies are ready in early 1958, which will be the peak year for traffic during the Second Five Year Plan period, the total capacity would have increased to 30·76 million tons. With the introduction of the Piece rate system, it is reasonable to expect an average increase of 15% in capacity. Thus, the overall capacity of the major ports from 1958 onwards is likely to be 35 million tons in round figure which will provide for an increase of nearly 75% over the traffic handled in 1954-55. This increase in capacity is expected to cover fully the anticipated expansion in our trade.

5. The somewhat difficult conditions prevailing at present in the ports are mainly due to the sudden increase in imports in recent months, particularly of iron and steel and heavy machinery—a type of cargo which is difficult to handle. Occasional detention of ships at ports is caused by a variety of factors which vary from port to port and from season to season. The main causes are

(1) Bunching of ship arrivals,
(2) Weather and tide conditions,
(3) Labour troubles; and
(4) Limitation in rail and road transport for movement of goods to and from ports.

6. Various administrative and operational measures have been taken to deal with the situation with a view to reduce/avoid delays to ships at the ports. As a result there is some reduction in the delays to ships at all the major ports. The question of delays to ships is constantly under review and every effort is being made to improve the situation. As a long term measure, port capacity is being increased by the execution of the various development works detailed in the Statement (referred to in para. 4), under the First and Second Five Year Plans.

Yours faithfully,

(Sd.) S. K. VENKATACHALAM,
Under Secretary to the Govt. of India

A. Refd. 10

List of development works designed to increase port capacity, completed or in progress at major ports

	Name of work	When expected to be ready
Calcutta Port	*Completed*	
	1. Facilities for storage and shipment of ores.	
	In Progress	
	1. Mechanical coal loading plant to be installed at Coal Berth.	
	2. Equiping No. 1, King George's Dock with 200-ton Heavy lift Crane	June, 1957.
	3. Development of No. 5 Berth into a mechanical ore berth	April, 1957.
	4. Development of B & D berths, King George's Dock, into General Cargo berths	End of 1958.
Bombay Port	*Completed*	
	1. Ten Transit Sheds and Warehouses	
	In progress	
	1. Jetty Shed, Prince's Dock	Almost completed January, 1957.
	2. Transit Shed 'M' Prince's Dock	1958.
Madras Port	*In progress*	
	1. Construction of a Jetty at North Quay	September, 1957.
	2. Construction of jetties at South Quays III and IV.	March, 1958.
	3. Construction of a new double-storeyed warehouse equipped with electrically operated cargo lifts.	Work sanctioned.
	4. A Wet Dock consisting of 6 berths	1961.
Cochin Port	*Completed*	
	1. One Coal Berth.	
	2. Two Oil Berths.	
	3. Two Warehouses.	
	In Progress	
	1. Construction of Coal berth South of Wharf.	To be completed by April, 1957.
	2. Black Oil installation at North end of Willingdon Island.	Expected to be completed by early 1957.

	Name of work	When expected to be ready
Cochin Port—*contd.*	*In Progress*—contd.	
	3. Construction of a Wharf 2207/ long for accommodating four berths.	Expected to be completed by June, 1957.
	4. Construction of warehouse for the four Berth scheme.	Expected to be completed by June, 1957.
	5. Metre gauge facilities	Expected to be completed in step with completion by the Southern Railway of the main Ernakulam Quilon Link.
Kandla Port .	*Completed.*	
	1. Oil Jetty.	
	2. Bunder.	
	In Progress	
	1. Construction of two berths . . .	Completed and will be opened on 3-3-1957.
	2. Construction of remaining two berths .	By the middle of 1957.
	3. Three transit sheds	One almost completed. Rest by March, 1957.
	4. Four warehouses	By March 1957.
Visakhapatnam Port	*Completed.*	
	One berth.	
	In Progress	
	Widening and deepening of the channel .	By April, 1957.
	Two berths for oil traffic	
	A scheme for the construction of four additional berths is under the active consideration of Government.	

ANNEXURE VIII

THE INDIAN COASTAL CONFERENCE

(Figures in Rupees)

Statement showing shortfall of Earnings in Coastal Shipping based on the Data of Scindia, Bharat Line, Malabar and New Dholera for their respective Financial Years ended in 1954-55.

	Scindia July/June 1954/1955	Bharat 1954	Malabar April/March 1954/1955	New Dholera April/March 1954/55	Total
A. 1. Total Operating expenses: (including Management Expenses but excluding Managing Agents' Commission, interest on loans or debentures, etc.) .	3,78,28,692	2,20,35,006	31,66,401	34,96,832	6,65,26,931
Add. Estimated average increase in Expenses over next 3 years, say, 5% on above.	18,91,435	11,01,750	1,58,320	1,74,841	33,26,346
	3,97,20,127	2,31,36,756	33,24,721	36,71,673	6,98,53,277
2. Normal Depreciation: As admissible for income-tax purposes . .	46,32,522	21,01,955	8,31,441	7,04,927	82,70,845
3. Rehabilitation Reserve: Equivalent to normal depreciation as above . .	46,32,522	21,01,955	8,31,441	7,04,927	82,70,845
	4,89,85,171	2,73,40,666	49,87,603	50,81,527	8,63,94,967
4. Return on Capital: 10% on the *cost* of fleet (to cover Managing Agents' Commission, interest on loans or debentures, income-tax and dividend to shareholders) . .	86,77,293	45,26,937	7,39,040	8,04,678	1,47,47,948
TOTAL "A" .	5,76,62,464	3,18,67,603	[57,26,643	58,86,205	10,11,42,915
B. Freight & Passage Earnings . .	4,36,76,793	2,61,80,893	46,19,443	43,39,425	7,88,16,554
C. Shortfall of earnings over expenses, etc (A—B) .	1,39,85,671	56,86,710	[11,07,200	15,46,780	2,23,26,361
Percentage of short fall to earnings.	32·02	21·72	23·96	35·64	28·32

THE SCINDIA STEAM NAVIGATION COMPANY, LTD.

Bombay, 24th January, 1956

Estimated result of operating a new standard ship on the Indian coast.

I. *Type of Ship.*— 8,000 D.W. tons ; Coal Burner ; Service Speed 10 knots ; Coal consumption 34 tons per day steaming 8 tons per day in port.
Estimated cost . . . . . Rs. 80,00,000

II. *Typical Voyages.*— It is assumed that the ship would be employed in the following types of voyages :

	Weightage.
1. Calcutta/Madras Coal Return to Calcutta in ballast.	2
2. Calcutta/Cuddalore Coal Return to Calcutta in ballast	1
3. Calcutta/Tuticorin Coal Return to Calcutta with available Salt and General Cargo	2
4. Calcutta/Cochin Coal Cochin/Saurashtra in ballast Saurashtra/Calcutta with Salt	1
5. Calcutta/Cochin Coal. Cochin/Saurashtra in ballast Okha-Bedi to Calcutta with Salt and General Cargo	1
6. Calcutta/Vizag/Madras/Cochin Bombay/Saurashtra with G. Cargo Saurashtra/Calcutta with Salt.	1

III. *Operating Days*—330 days per year.

IV. *Income and Expenditure*—On the basis of the types of voyages and operating days per year given above, Freight and Expenses are estimated as under:

	Rs.	Rs.
(*a*) *Freight* At scheduled rates in force before 15-10-55, i.e., prior to 5% increase		17,84,000
(*b*) *Expenses:*	Rs.	
(*i*) Total operating expenses including Management Expenses, but excluding Managing Agents, Commission, interest on loans or debentures, etc.	14,95,300	
Add Estimated average increase in expenses over next 3 years, say, 5% on above	74,700	
	15,70.000	
(*ii*) Normal Depreciation—5% on Rs. 80,00,000 . .	4,00,000	
(*iii*) *Return on Capital*, 10% on the cost of ship (to cover Managing Agents' Commission interest on loans or debentures, income-tax and dividend to shareholders)	8,00,000	27,70,000
Shortfall of earnings over expenses		9,86,000
Percentage of Shortfall to Earnings		55%

ANNEXURE IX

Statement showing Gross Block and Capital Employed of the Six selected Shipping Companies

(Rs. in lakhs).

(*a*) Value of Gross Block of the six shipping companies attributable to the coast	1192·55
(*b*) Depreciation in respect of above	321·01
(*c*) Net value of assets attributable to the coast (a—b)	871·54
(*d*) Working capital taken on an uniform basis @ Rs. 40 per DWT .	131·16
(*e*) Capital employed (c+d)	1002·70

NOTE.—In assessing the value of assets attributable to the coast the following adjustments have been made—

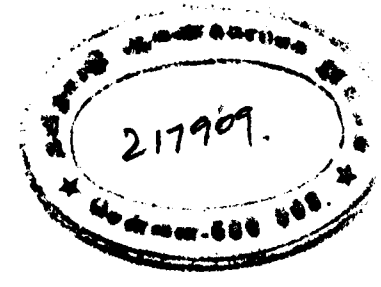
Scindias : Coastal ships (including chartered vessels) employed on the coast and adjacent trades respectively has been in the ratio of 73 : 27. This proportion has been adopted as the basis for allocation.

Bharat : Coastal ships (including chartered vessels) employed on the coast and overseas trades respectively has been in the ratio of 56 : 44. This proportion has been adopted as the basis for allocation.

Great Eastern : Coastal ships (including chartered vessels) employed on the coast and overseas trades respectively has been in the ratio of 61·6 : 38·4. This proportion has been adopted as the basis for allocation.

NOTE.—No adjustments have been made in the case of the remaining selected shipping companies as they are purely coastal operators.

Working Capital.—A notional working capital at a uniform rate of Rs. 40 per DWT for the six companies has been taken as the working capital, on an actual basis of current assets less outside investments minus current liabilities, worked out in the case of some of these companies to a minus figure.



GMGIPND—NS—50 M of Transport—20-2-58—500