

Public Works (1898) Department.

G.O., No. 2472 W

DATED 23rd Sep '98

[Despatch Abstract.]

Vizagapatnam Harbour

To: Marine Dept, Director, with remarks, that the proposals of the Chief Engineer, for improving the be dredged & situated in detail, then placed before Sir J. Readel, Madras, and that the question of allowing the work to be done by the agency of the Company, be laid before the Committee of Directors, communicated to the S.E. & C. Co.

13/10

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

GOVERNMENT OF MADRAS.

MARINE DEPARTMENT.

READ—the following papers :—

Petition from Mr. A. MACNAB, to the Private Secretary to His Excellency the Governor, dated Madras, 11th February 1897.

His Excellency the Governor of Madras having been pleased to accord me the favour of an interview on the subject of the proposed harbour at Vizagapatam, I have the honour to submit herewith printed copies of correspondence embodying details of the scheme as formulated so far, and I beg leave here briefly to recapitulate the object aimed at and the terms we crave from Government.

His Highness the Maharajah of Vizianagram being anxious, in commemoration of the jubilee of Her Majesty the Queen-Empress' reign, to promote the construction of the smaller or boat harbour at Vizagapatam designed by Mr. F. N. Thorowgood in 1892, has offered to guarantee, on the security of his estates, the interest on the capital required, and, on that guarantee, the capital, 10 lakhs, is virtually promised in London, provided a formal concession to make the harbour be obtained from, and reasonable terms arranged with, the Government of Madras.

It is proposed to adhere strictly to the lesser scheme formulated by Mr. Thorowgood at an estimated cost of Rs. 6,11,000, but to allow a margin up to 8 lakhs for possible excess in capital cost, and to add a further 2 lakhs to provide a sufficient equipment of warehouses, lighters and tugs, to enable the Harbour Company to serve the trade as a warehouse and shipping company.

And in consideration of the company constructing a harbour on these lines, I venture to ask of the Government of Madras, on behalf of His Highness the Maharajah of Vizianagram, that the following sources of income may be made available to the Harbour Company :—

- I. That the Harbour Company shall receive the full share of port dues on vessels, now allotted to the port of Vizagapatam, under the present system of division, the Harbour Company in turn paying the port establishment.
- II. That the Harbour Company shall receive the full collections of landing and shipping dues, at present levied at 2 annas per ton (including any unexpended surplus at credit of the present Harbour Board) and shall have liberty, with the sanction of Government, to increase these dues to 4 annas per ton, with, in addition, the same special dues on jaggery (1 anna per bag) as are levied at Cocanada.
- III. That the Harbour Company shall receive a free grant in perpetuity of so much of the land lying between the East Coast Railway's "swamp line" and the town of Vizagapatam, as may belong to Government or the Municipality, to be reclaimed and made available for building sites with dredgings raised in the construction of the harbour.
- IV. That the Harbour Company shall be permitted as of right to carry on the business of a wharf, warehouse and shipping company, with the exclusive right to them to own large lighters and tugs, provided and so long as they do not charge more than the existing rates of masula boat hire.

I would further ask that the services of the Engineers of the East Coast Railway shall, if desired, be placed at the disposal of the Harbour Company for the work of construction, as has already, I understand, been assented to by Government.

It will be seen that, beyond a slight and quite inappreciable increase in the landing and shipping dues, His Highness the Maharajah, while standing guarantee for the interests on the capital, does not contemplate the imposition of any additional dues whatever either on shipping or produce, and that the policy of the Harbour Company will be to develop the trade of the port by improved and cheapened shipping facilities, and to rely for its income on that expansion and on such legitimate profits as it may earn from serving the trade as a wharf and shipping company.

I have confidence, therefore, in claiming for the scheme now submitted the sympathy and consideration of His Excellency the Governor, and I venture to hope that the Government of Madras will be pleased to grant the concession to make the harbour.

As vitally connected with this scheme, I shall ask permission to make a very earnest appeal to His Excellency, in the interests, not merely of His Highness the Maharajah and the proposed Harbour Company, but also of the general trade of the Vizagapatam district, for a reconsideration of the dividing point of the East Coast Railway between the Madras Railway Company and the Bengal-Nagpur State Railway. To make Vizianagram the dividing point would, as I shall endeavour to show, be hostile in the last degree to the general trade interests of the district, and I am to urge very earnestly that Tuni should rather be made the point of division, so as to give the Bengal-Nagpur Railway Company a port (Vizagapatam) at the southern extremity of its system, to which it would be its interest to draw down a portion of the trade of Orissa and the Central Provinces in exchange for so much of our existing traffic as it may divert to Calcutta, while the Madras Railway Company would similarly have Cocanada as a port at its northern extremity to develop.

Petition from Mr. A. MACNAB, to the Private Secretary to His Excellency the Governor, dated Waltair, 22nd January 1898.

On the 12th February 1897, His Excellency the Governor was pleased to accord me the honour of a personal interview on the subject of the Vizagapatam harbour scheme, full particulars of which I had previously submitted in my letter to you of 11th February 1897.

The scheme was then based upon a guarantee of the interest on the required capital, generously offered by His Highness the late Maharajah of Vizianagram, and on that basis the project had already secured considerable interest in London, when the lamented death of His Highness prevented my moving further in the matter. The guarantee is (for the present at least) not available, but although not confident of securing the capital without guarantee, I think the merits of the scheme, apart from that, are quite worth pressing on the attention of capitalists, provided Government should be pleased to grant the concession on the terms suggested.

I have the honour to request, therefore, that I may be favoured with the views of His Excellency the Governor in Council on the proposals embodied in my letter above referred to and the correspondence accompanying it.

From the Secretary to Government, Marine Department, to Mr. A. MACNAB, dated 16th February 1898, No. 97 E.

In your letter, dated 11th February 1897, to the Private Secretary to His Excellency the Governor, you made certain proposals for the improvement of the Vizagapatam harbour in accordance with Mr. F. N. Thorowgood's smaller scheme, the work to be carried out by private agency by means of a loan, the interest on which was to be guaranteed by the Maharajah of Vizianagram. Before the matter could be fully considered by His Excellency in Council the Maharajah died, and the question has remained in abeyance ever since. You now write, under date the 22nd January 1898, to say that although not confident of securing the required capital without guarantee, you think the merits of the scheme, apart from that, are quite

worth pressing on the attention of capitalists, provided Government grants the concessions asked for by you in your letter of the 11th February 1897, on the terms suggested.

2. Your proposals are as follows:—

- I. That the Harbour Company shall receive the full share of port dues on vessels, now allotted to the port of Vizagapatam, under the present system of division, the Harbour Company in turn paying the port establishment.
- II. That the Harbour Company shall receive the full collections of landing and shipping dues, at present levied at 2 annas per ton (including any unexpended surplus at the credit of the existing Landing and Shipping Dues Committee) and shall have liberty, with the sanction of Government, to increase these dues to 4 annas per ton, with, in addition, the same special dues on jaggery (1 anna per bag) as are levied at Cocanada.
- III. That the Harbour Company shall receive a free grant in perpetuity of so much of the land lying between the East Coast Railway's "swamp line" and the town of Vizagapatam as may belong to Government or the Municipality, to be reclaimed and made available for building sites with dredgings raised in the construction of the harbour.
- IV. That the Harbour Company will be permitted as of right to carry on the business of a wharf, warehouse and shipping company, with the exclusive right to them to own large lighters and tugs, provided and so long as they do not charge more than the existing rates of masula, boat hire.

3. The Government is, I am to say, prepared, subject to confirmation by the Government of India, to entertain the general proposal for the construction, from borrowed money, and by the agency of a private company, of Mr. Thorowgood's smaller scheme for the improvement of the Vizagapatam harbour, the total cost of which, including dredging plant and the cost of the Vizagapatam harbour, is roughly estimated at 8 lakhs of rupees. A further sum of 2 lakhs is added to provide a sufficient equipment of warehouses, lighters and tugs, and to enable the company to serve the trade as a warehouse and shipping company. The details of your proposals will, however, require further discussion.

4. The Government considers that the Vizagapatam Harbour Company should, in respect to its powers, responsibilities and subordination to Government control, be put, as far as possible, into the position the Harbour Trust Board occupies in Madras. This position is defined in Madras Act II of 1886, as amended by Madras Act I of 1892. It is thought that the whole of Part VII and a great many of the subsequent sections could be applied to the proposed company with merely verbal alterations, as to which it is not now necessary to go into details; and rates could be levied as provided for in section 45.

5. It seems desirable that the company should have its chief office in the Madras Presidency, and that the Government should have the power—

- (a) of nominating a fixed proportion of the Directors; and
- (b) of requiring its prior sanction to the execution of all works estimated to cost more than a certain fixed limit to be agreed upon—say Rs. 10,000—and of all works of a nature to affect the main works of the harbour.

6. The stipulations under (b) appear necessary. While not desiring to interfere unduly with the operations of the company, it seems to the Government to be of great importance that it should have the power to veto works which, carried out in a tide-way with the best intentions, it might be advised, were likely to produce disastrous consequences.

7. As to the four conditions formulated by you, it is observed in regard to I, that under the recently sanctioned arrangements for grouping the ports of this Presidency, the Government has no power to assign to the new company any of the Vizagapatam

port dues as a matter of right. It would be preferable that the dues from the port and the harbour should be kept distinct as at Madras; and though no definite promise can be made to hand over to the company surplus port dues after meeting port expenses, it might be possible to grant occasional subventions in the event of there being any surplus in the eastern group as a whole. No such surplus is, however, possible for several years, until all the projected lighthouse schemes have been provided for.

8. The port establishment must remain a Government establishment. There would, however, be no objection to an arrangement similar to that in Madras whereby the harbour company would be the Conservators of the port under section 7 (1) of the Indian Ports Act, X of 1889, and the Port Officer Deputy Conservator. The Conservators would, in conservancy matters, be subject to the "intermediate authority" appointed under section 7 (4) of the Act, viz., the Presidency Port Officer.

9. Condition II is accepted. The company might have the same power to fix dues at Vizagapatam as the Harbour Trust Board at Madras. To satisfy the capitalists from whom the money would be raised, there would be no objection to fix a minimum rate of harbour dues. A maximum rate need not be fixed, as the Government would have the power to veto excessive rates in the same way as they now have in the case of Madras.

10. Condition III is also accepted, but it might be necessary to stipulate for Government receiving credit, in the event of its taking over the property, for the value of the land so made over to the company; or it might be a condition that, after free occupation for a certain number of years to be agreed upon, the company should pay rent for the land. I am to invite your opinion on these alternative suggestions.

11. As regards condition IV, no doubt is entertained as to the propriety of the harbour company carrying on the business of a wharf, warehouse and shipping company, for which they would have exceptional advantages in the possession of the lands to be handed over under condition III. The company might also calculate on the possession (as the Harbour Trust Board at Madras) of so much of the foreshore of the harbour as belongs to Government and as is not required by the Customs and other Government departments. But no exclusive right to erect warehouses can be given. If there is any private property stretching down to the shore it is not clear how the owners could be prevented from erecting warehouses thereon. Wharves are in a different category. A monopoly of the right to construct wharves for the landing and shipping of goods would not be objected to; but the proposed exclusive right to own large lighters and tugs is one which no legislature is likely to grant, nor does it seem to be in any way necessary to the welfare of the company. There can be no reason why the company should not own tugs and lighters, but there also seems no reason why they should have any exclusive right to do so. If they have not such a right, it would perhaps seem at first sight as if they might be subjected to unfair competition by other persons building tugs and lighters and using them under the protection afforded, and with the conveniences furnished, by the company's works. But this supposition will, on a nearer view, be found to be erroneous. If the company are in the same position as the Harbour Trust Board at Madras, they will be empowered under a law corresponding to section 45 of Act II of 1886 to prescribe a scale of rates for vessels or boats approaching or lying alongside their wharves; and they might also be permitted to make a monthly or annual charge for all vessels kept within the protection afforded by their works. Under these circumstances there seems no reason to apprehend more than such a reasonable competition as will be to the public benefit, without being unduly inimical to the interests of the company.

12. Finally, the contract should include a provision for the optional purchase by the Government, at certain fixed periods, of the property of the company, similar to that included in railway contracts. The first optional period might be at the end of 20 years, and thereafter at intervals of five years—two years' previous notice being given by Government. The price to be paid would be the actual capital expenditure as from time to time sanctioned by Government.

13. I am to invite your remarks and suggestions on these proposals.

From Mr. A. MACKNAB, to the Secretary to Government, Marine Department, dated Ootacamund, 3rd May 1898.

With reference to your letter No. 97 E., of 16th February 1898, I have the honour to inform you that I have been in correspondence with the friends at home who are interesting themselves in the project for the construction of a harbour at Vizagapatam, and I now ask permission to address you in reply to your letter.

2. It is noted with satisfaction that the Government of Madras is prepared, subject to confirmation by the Government of India, to entertain the general proposal for the construction, from borrowed money and by the agency of a private company, of Mr. Thorowgood's smaller scheme for the improvement of the Vizagapatam Harbour, which is all that it is proposed to undertake for the present, or that the existing trade would bear, and, while I desire gratefully to acknowledge the favourable consideration which the Government of Madras has given generally to the proposed terms of concession, there are one or two points in which I have to ask the favour of reconsideration.

3. Of these points the most important are—

First,—The proposals embodied in paragraphs 4, 5 and 6 of your letter, namely, that the Vizagapatam Harbour Company should be subject to the same control as the Madras Harbour Trust Board, and that it should have its chief office in the Madras Presidency; and

Secondly,—The withholding from the company of the Vizagapatam port dues.

4. As regards the first of these points, I am to submit, for the consideration of Government, that there is this radical difference between the Madras Harbour Trust and the proposed Vizagapatam Harbour Company: that the one is a board administering a work constructed out of public funds and belonging to Government, and the other would be a company working a harbour constructed by that company's own capital. In stating this distinction, however, there is no desire to question the undeniable right, vesting in Government as the custodian of the public interests, to be adequately represented on the board of the company, and to have a sufficient voice in the management in matters affecting the public interests, as distinguished from what may be termed the internal administration of the company, such (for instance) as the acquisition and management of warehouses, lighters and tugs, the allocation of earnings in dividends, reserve and sinking funds, &c. It is felt that there may be a difficulty in thus defining the voting power of the respective Directors, but probably it would suffice, at the present stage, if Government would accord recognition to the principle that such matters (to be more clearly defined hereafter) shall be left to the vote of the representatives of the capital. Subject to such an understanding, the stipulation that the prior sanction of Government should be obtained to all works estimated to cost more than a certain fixed limit and to all works affecting the main works of the harbour is unobjectionable and, indeed, the company would probably, in its own interests, welcome the advice and guidance of the Government of Madras in such matters.

5. It is, however (under this head), the suggestion that the company should have its chief office in the Madras Presidency that is felt to constitute a serious difficulty. This condition would involve a rupee capital, and that, I may say at once, would be considered an absolute bar by the friends in Europe whom I have succeeded in interesting in the project. Hitherto there has been no suggestion of any but a sterling capital, and at sterling rates of interest the income which I have been able to indicate as likely to be realised would probably suffice to attract the capital. If, however, the capital were to be in Indian currency, Indian rates of interest would be expected, and a sufficient return on that scale from the harbour cannot be shown. Without having as yet any assurance on the point, I venture to think that some form of guarantee, possibly modified and restricted to a term of years, may be forthcoming, which would be invaluable in attracting capital, but it is not to be expected that the guarantors would make themselves responsible for the course of exchange, and, in the present state of the currency, English investors will not send their money to India for a prospective return which might be quite sufficient to induce sterling subscriptions.

I am encouraged to hope, however, that Government will not press this point, and that on a reconsideration there will be no objection to the chief office of the company being in London. I would suggest that Government representation on the Board might, as in the case of the Indian Railway Companies, be by officers nominated by the Secretary of State for India, and that there might, if desired, be a reservation that the Government of Madras should be referred to in all matters in regard to which prior sanction is required as defined in paragraph 5 (b) of your letter.

6. The remaining point, which I have very earnestly to urge on the reconsideration of Government, has reference to port dues. In the terms of concession, which I had the honour of submitting on behalf of the promoters of the harbour scheme, it was asked—

That the harbour company shall receive the full share of port dues on vessels now allotted to the port of Vizagapatam, under the present system of division, the harbour company in turn paying the port establishment.

In paragraph 8 of your letter, it is objected to this that the port establishment must remain a "Government establishment." I hasten to disclaim, on behalf of the company, any desire to intrude on the control of the port establishment, which it was quite understood must remain with the Presidency Port Officer. The suggestion was merely that the company should accept a debit of the cost of the port establishment, and that suggestion was made to clear the way for our claim to receive the port dues. That being arranged, the company would then bear the whole expenses of the port, and, such being the case, I submit with confidence it is only equitable that the company should receive the whole of the port dues levied in respect of Vizagapatam. The amount of these dues on their present scale is relatively insignificant, though hardly so insignificant as the measure of shipping facilities afforded to shipping in return for these dues. It would be the function of the company to create some real return for these dues and to afford to shipping facilities which do not at present exist. These facilities must have the effect of attracting tonnage to the port, with the result that the dues would ultimately become an appreciable item in the company's income, and I submit it would be hard, I may even be permitted to say, it would be altogether unreasonable that the company should have no share in the increased revenue thus directly resulting from their capital expenditure. It is not proposed that the rates of port dues on shipping should be increased; on the contrary, the company's policy would be to rely for their income on the expansion of the trade which improved facilities should induce, and the increase in revenue from port dues, even at present rates, is one on which reliance has been placed in formulating the scheme now under consideration. Relatively small as this source of income is, and must always be, the withholding of it from the company in all the circumstances, as an appearance of exaction, which will certainly have a deterrent effect on investors, and it has even suggested itself (though I mention the suggestion with diffidence) that, if these dues are to remain the sole property of Government, there might be a temptation at some future time to raise rates on the strength of the improved facilities enjoyed by shipping, which, if it did not deter vessels from frequenting the port, might re-act on the income from the harbour in other directions. It is stated in your letter that the Government has no power to assign these port dues as a matter of right, although it is within their competence to make "occasional subventions in the event of there being a surplus in the group as a whole." It is to be feared that the prospect of such occasional subventions would not be estimated at any appreciable value by intending investors, and I may be permitted to suggest that it should not be difficult, nor would it, in the altogether exceptional circumstances of the case, be unreasonable for the Government to take the required power prescribed, as that power would seem to be, not only by equity, but also by expediency, if, as I trust I may take it, the Government is desirous of seeing the harbour made by private enterprise.

7. Reference is made to the lighthouse scheme for the coast, to which presumably the individual ports must contribute in fixed or varying ratio, and there should be no difficulty in arranging that the harbour company should, in addition to the expense of the port establishment, accept debits for these and other similar expenses fairly chargeable to the port. I would, however, submit two alternative solutions of this question of port dues.

(i) That the Harbour Company receive the whole share of port dues accruing to Vizagapatam, accepting debit of the whole expenses of port establishment (as originally suggested), and also of the share of general administration expenses fairly chargeable to the port; or

(ii) that Government should retain the whole of the Eastern group coasting dues, and allow the Company all port dues other than "group" dues, the expenses of the Vizagapatam port establishment and the port's proportion of general administration expenses being borne by Government and the Company in equal moieties.

It is from the so-called "foreign dues," that increased revenue resulting from improved facilities may be expected, and it seems fitting therefore that these dues should be portion of the Company creating and paying for these facilities.

8. Condition II of the proposed terms of concession is accepted by Government. The assignment of the landing and shipping dues with fixed minimum rates would, as pointed out in your letter, afford the Company the required security.

9. Condition III is also accepted by Government, and of the alternative conditions of tenure, which might possibly be required, and on which an expression of opinion is invited, it is considered that the second would be preferable in the Company's interests, namely, that, after free occupation for a term of years to be agreed upon, the Company should pay rent for the land. With prolonged tenure thus assured, there would be inducement to carry on reclamation considerably beyond the limit represented by excavation necessitated by the making of the harbour proper, and, as one of the most pressing needs of the port is room for the town to expand and afford house accommodation close to the harbour for the labouring classes, the Company would probably prosecute reclamation vigorously, if the fruit of their work were thus assured to them.

10. As regards condition IV, I would point out that no suggestion was made as to an exclusive right to erect warehouses and that the exclusive right to own large lighters and tugs was strictly limited by the condition, "so long as they (the Company) do not charge more than the existing rates of masula boat-hire". I note that, even subject to that reservation, it is not considered feasible to confer such an exclusive right, but probably, as you point out, the right to levy rates on vessels approaching wharves or kept within the harbour, would, provided the rates sanctioned are sufficient, afford the Company all the protection required.

11. Finally, the option reserved to Government of purchasing the harbour on some such terms and at such periods as suggested, is recognised as necessary. I would however ask whether Government would agree that land reclaimed under condition IV should, even if, or when, the harbour is taken over by Government, remain the property of the Company, excepting only so much of the reclaimed land as may at any future time be required for strictly harbour purposes. The land in question is absolutely valueless at present, could only be made habitable by spending probably as much money in distributing, as in excavating, spoil, and, when reclaimed, would be altogether distinct from the harbour works proper. As will be apparent, the proposed Company looks for its revenue from any source other than increased dues; this reclamation scheme is an indirect source of revenue which will help to get the harbour made without increased dues. So long as the purchase by Government remains optional and therefore doubtful, the Company could not spend money on reclamation. The reclamation however would be a public benefit and, as it would form no part of the harbour proper, I would ask that the reclaimed land should not be covered by the right of purchase reserved to Government.

Mis. No. 598, Revenue.

Transferred to the Marine Department, with reference to G.O., No. 256, Marine, dated 17th March 1897.

7th February 1898.

(Signed) N. E. MARJORIBANKS,
Ag. Asst. Secretary to Government.

ORDER—No. 768, Marine, dated 8th September 1898.

The correspondence read above relates to a proposal to carry out, from borrowed money, by means of a Company, Mr. Thorowgood's smaller scheme for the improvement of the Vizagapatam harbour.

2. The conditions proposed by Mr. MacNab and the modifications suggested by Government, together with the further amendments now suggested by Mr. MacNab, are fully set forth in the papers printed in these Proceedings.

3. Since Mr. MacNab's proposals were placed before Government, the Chief Engineer has put forward certain alternative suggestions providing for the removal of the bar at the mouth of the river by means of sluices and of a training wall or wharf in continuation of that now under construction.

4. His Excellency the Governor in Council is not certain that these alternative proposals will obviate the necessity for constructing the groyne proposed by Mr. Thorowgood. The matter is one upon which it will be necessary to take the advice of the highest Engineering authority available. The Chief Engineer's proposals will be designed and estimated in detail and then placed before Sir Alexander Rendel for advice. Any further negotiations with Mr. MacNab must proceed on the understanding that the Company, if constituted, will accept and carry out such designs as Sir A. Rendel may finally approve, and that the sanction of the Government of India is accorded to the general proposal to carry out the works by the agency of a Company, as already stipulated in paragraph 3 of the Secretary's letter, No. 97 E., dated 16th February 1898. The general question will be at once laid before the Government of India for orders, and, meanwhile, the details of the scheme will be further discussed with Mr. MacNab by the Secretary to Government in the Marine Department.

[Here enter No. 769, Marine, dated 8th September 1898.]

(True Extract.)

A. K. Rendel

Under Secretary to Government

To A. MacNab, Esq.
To the Presidency Port Officer.
" Chief Engineer, Public Works Department. ✓

Exd. A. F. Eccleston.