We have traced, and examined the post-war developments of Indian Shipping Industry as also its main problems in the foregoing chapters. We may now bring out in bolder relief the broad features emerging out of the complicated mosaic wherein a number of complex forces have been inextricably involved. What follows now, is a brief exposition of this complex pattern of our shipping developments, in all its facets and with a few pertinent observations on them.

The structure of the shipping industry rests on four pillars viz.,

(1) Coastal Shipping,
(2) Shipping in Overseas Trades,
(3) The shipbuilding industry and
(4) Development of ports.

It is necessary to examine the position in each of these spheres as it now finally emerges as a result of this study.

Coastal Shipping:

Coastal shipping, for a vast country like ours with over 3,500 miles of coastline constitutes an important part of the internal transportation system. The availability of adequate cargo, the fixation of economic freight rates and passenger fares and the facilities at ports for quick dispatch, are crucial factors
that govern the development of an adequate coastal tonnage. These conditions, however, did not obtain in the past and do not obtain adequately even now. Consequently coastal shipping could not reach the targets 3.12 lakhs G.R.T. and 4.12 lakhs G.R.T. visualised for the First and the Second Five Year Plans, respectively. The First Plan target fell short by 80,000 G.R.T. and that of the Second Plan by 1,44,000 G.R.T. The uncertainty about the availability of cargo was so much, that only a target of 3 lakhs G.R.T. was fixed for the Third Plan. This was subsequently revised to 3.45 lakhs G.R.T. when Government of India decided to move additional one million tons of coal by the sea route. Since then a new life has been brought to coastal shipping and the Third Plan target of tonnage has not only been realised, but even the higher target of the Second Plan is also likely to be over fulfilled by the end of the current Plan. This increase in tonnage is very largely due to the substantial rise in the volume of cargo, rising from 25 lakhs tons from the beginning of the Second Plan to over 35 lakhs tons in 1962. The action and spirit of enterprise of the Indian shipowners in going in for additional tonnage, when the chances for adequate volume of cargo were found to be fair and reasonable, is thus commendable particularly in the context of uneconomic freight rates in the face of mounting cost of operation of their ships.

Our coastal trade has been reserved to Indian ships since 1950. However, in actual reality it is true only of dry cargoes since a large quantity of the refined petroleum products are even to-day carried round the coast by foreign tankers. The latest position in this regard is as follows:
<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity of petroleum cargo in million tons</th>
<th>Quantity carried by foreign tankers</th>
<th>% of total Petroleum cargo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>2.09</td>
<td>1.51</td>
<td>72%</td>
</tr>
<tr>
<td>1962</td>
<td>2.32</td>
<td>1.83</td>
<td>79%</td>
</tr>
</tbody>
</table>


It is estimated that over Rs.2.2 crores, had to be paid to foreign tankers in 1962 for the carriage of this product. It is not difficult to understand what a drain it has been on the limited foreign exchange resources of the country, although it is now 14 years since the coastal trade has been reserved. Such a sad state of affairs is on account of lack of adequate number of tankers in our coastal fleet. Today, only three tankers run on our coast, one owned by the Great Eastern Shipping Co., and other two by the Government Shipping Corporation. Shipowners sought permission to go into the tanker trade since 1950. It was only after prolonged negotiations that Great Eastern Shipping Co., was allowed to do so in 1956. Since then, the right of the Indian shipowners to go into any trade they like has been taken away and the Government decided that shipping in the private sector shall not enter the tanker trade and leave the field completely to the public sector. This is an unfortunate policy for which the country pays a heavy price.

The shipowners have often represented about the uneconomic nature of coastal freight rates. Freight rates, on the coast according to the provisions of the previous legislation and now under the Merchant Shipping Act, 1958, are controlled by the Government. Any variation in the rates, can, therefore, be
effected by the shipowners only with the approval of the Government. The Government should ensure that the coastal operators are able to secure economic rates of freight. At the same time it is also appreciated that Government has also to take into account the possible repercussion which any increase in freight rates would have on trade and industry. In 1957, this question was examined by the Rail Sea Co-ordination Committee and on its recommendation a general increase of 15 per cent in coastal freight rates was granted. The shipowners who were not satisfied with the increased, represented to the Government that on account of several factors, including the increase in the cost of operation and the reduction in Hooghly draft, their operations were highly unprofitable. Consequently in 1961, the Government appointed a one-man committee consisting Mr. R.G. Abbhi to examine the matter, and on the basis of his recommendations the Government once again sanctioned a general increase of 15 per cent on freight rates from June 1962. The matter is again at present under examination by the Parsuraman Committee. Such ad hoc inquiries of piecemeal nature cannot lead to a lasting solution and cause uncertainty in minds of coastal operators and hardships to trade and industry.

In an illuminating survey reviewing the finance of 1001 Joint Stock companies published in the June 1962 issue of the Reserve Bank of India Bulletin, industry-wise profitability ratios have been worked out for the years 1959 and 1960. We take below the comparative figures for shipping, as against the general trend of all other industries.
The ratios of gross profits to sales and the ratios of gross profits to total capital employed are important indicators of the profitability of the companies. Whereas the profitability of share capital is measured by the ratios of profits after tax to net worth. The average rate of return to the shareholders is indicated by the ratio of dividends to paid-up capital. As indicated by above table, the profitability ratios for shipping are much lower as compared with the average ratios of all other industries in 1959 and they have declined further in 1960. Moreover, they are the lowest if we compare them with corresponding ratios of other individual industries. Shipping industry has therefore become less and less profitable. These facts clearly establish a case not only for an inquiry into the coastal freight rates but also into the general state of affairs of shipping companies. Such an inquiry should either be entrusted to a Tariff Board or a Commission consisting of representatives of all interests concerned, and the issue should finally be settled in consultation with the National Shipping Board. It should be appreciated that if the shipowners
are not able to stabilise and flourish even in the sheltered waters of their own coast, how would they be able to face the hazards and competition of the overseas trades. As a matter of fact, stability and strength in the former sector should buttress the position of our shipping in the latter sector.

The Rail-Sea Co-ordination Committee appointed by the Government in 1955, besides, recommending the raising of the freight rates in the coastal trade, very strongly urged for the diversion of a substantial quantity of coal from the rail to the sea route. It also emphasised the necessity of reaching the target of 4.12 lakhs G.R.T. for the coastal trade by 1959. On the basis of substantial amount of diversion of cargoes, like coal, food-grains, fertilisers etc. to the sea or rail-cum-sea route for affording maximum relief to the railways, the Committee had estimated the coastal traffic to go up to 40 lakh tons by 1960. However, the actual traffic in that year was only 26.65 lakh tons, registering a shortfall of 13.35 lakh tons from its estimated figure. This was principally on account of the reluctance of Railways to allocate sufficient quantity of coal cargo to sea route for carriage. The consequences of disregarding the recommendation of the Rail-Sea Co-ordination Committee in this regard, were soon realised, when in early 1961, an unprecedented situation of transport bottleneck in the country developed, and consumers such as industries and even railways could not get adequate supplies of coal. This led to a high level Government decision to divert one million tons additional coal to sea route. Even now it seems that the lesson of 1961 experience is lost on Railway Authorities who are still reluctant to release 2 million tons of coal traffic to the
sea route! This is extremely disheartening and cannot be reconciled with the Government's March 1961 decision. The absence of a firm policy and the attitude of not treating coastal transport as a part of the integrated transport system of the country is rather difficult to appreciate and the shipowners have impressed upon the Government the need to stand by its decision of diverting one million tons of coal traffic to the sea route. As a matter of fact the Director General of Shipping some time back suggested that the coal movement on our coast might increase to 2.5 million tons to 3 million tons in near future. It is hoped that at least now some definite and permanent policy will emerge since the World Bank Team which examined this question, has submitted its report to the Government.

The question of rail-sea co-ordination is a part of the general problem of transport co-ordination in the country which is being examined by the committee on Transport Policy and Co-ordination appointed by the Government in July 1959. The important constituents of the internal transportation system of our country are railways, roads, coastal shipping and inland waterways. In 1960-61, out of the total traffic of 192 million tons, the railways carried as much as 154 million tons. Railways are therefore the most predominant means of transportation. Based on the widely accepted formula of traffic forecast—one per cent rise in the national income calls for an increase of, between 2.50 to 2.74 per cent in transport facilities—it is estimated that our long as well as the short-distance traffic will be about 375 million tons in 1965-66. The railways are expected to carry about 260 million tons of the total traffic. Other means of transportation
are expected to handle about 40 million tons. The traffic position

can be summarised in the following table.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total traffic</th>
<th>Share of Railways</th>
<th>Share of other means of transport</th>
<th>The uncovered gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>192</td>
<td>154</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>1965-66</td>
<td>375</td>
<td>260</td>
<td>40</td>
<td>75</td>
</tr>
</tbody>
</table>

Source:Table compiled from Dr. F. P. Antin's lectures on "Transport Situation in India" delivered at Faculty of Commerce, Baroda in February, 1962.

It is clear from the above figures that railways carried about 75% of the total traffic in 1960-61. This percentage is likely to go down to 70 in 1965-66. It is further likely to decline in future since the railways have been approaching the saturation point very fast. The uncovered gap of the total traffic is likely to increase from 18 million tons in 1960-61 to 75 million tons in 1965-66 despite the fact that other means of transportations, particularly roads and coastal shipping will be called upon to double their capacities. It is therefore pretty clear that roads and coastal shipping will have to carry increasing amount of the total traffic which is estimated at 650 million tons by 1976. Under the circumstances these two agencies of transportation shall need all the encouragement for expanding their capacities and playing their rightful part in the economy of our country.

today our transport system is imbalanced in as much as that it is heavily dependent on railways. This has been largely on account of historical reasons. Such an imbalance is highly undesirable since in time of civil and military emergencies it will land the country into a chaos. The Government should therefore seriously
plan to remove this imbalance by providing the necessary incentives for other means of transport to develop.

It is rather strange that under the situation of overall shortage of transport facilities, the question of co-ordination between railways and roads on one hand and railways and coastal shipping on the other has become difficult to resolve. There is more than adequate traffic for all means of transportation and the co-ordination question should be easy to tackle. That in actual reality it is not so, is largely on account of the fact that historically railways have been charging freight rates much below their cost of operation for bulk commodities. The unrealistic railway freight rates policy represents the real crux of the problem of co-ordination. It is on account of that policy that railway freight rates appear artificially lower than the coastal rates particularly in case of a commodity like coal and the Government has to pay a suitable subsidy to the consumers of industrial coal received by way of the sea route. It is high time that the railways rationalise their freight structure, and allow sufficient scope for the development of coastal shipping.

Shipping in Overseas Trades:

As compared with the coastal trade, the progress of our shipping tonnage in the overseas trades has been satisfactory. In the beginning of the First Plan the overseas tonnage was about 1.66 lakhs G.R.T. By the end of the First Plan it went upto 2.55 lakhs G.R.T., falling short of the target of 2.85 lakh G.R.T. by a small margin of 0.30 lakh G.R.T. The Second Plan target of
4.65 lakhs G.R.T. was overfulfilled and actual tonnage at the end of the Second Plan stood at 5.28 lakhs G.R.T. The revised target of the Third Plan stands at 9.5 lakhs G.R.T. As against that on 1st January 1964, our overseas fleet consisted of 99 vessels of an aggregate tonnage of 8.37 lakhs G.R.T.

It was the Scindia company which first ventured out in the overseas trade by starting a passenger line between India and England, as far back as 1919. It had to be given up owing to freight wars carried on by the British Shipping interests. The Haj line was started by that company in 1937. Once again the outbreak of the Second World War and the opposition of the British interests compelled its discontinuance. After Independence, with the strong support of Shri C.H. Bhattacharya, the then Commerce Minister, the passenger line between India and England was re-started by the Scindia in 1948. It went on incurring losses year after year and since the Government was reluctant to provide any direct financial help, in the form of a subsidy, it had to be closed.

With the encouragement and support of the Government, regular cargo services on a liner basis were organised between India and the U.K./Continental and India and America in 1947-48. Since then the overseas tonnage has continued to expand. The Government entered the field of shipping in 1950 in cooperation with the Scindia Company. This Government Shipping Corporation built up passenger service between India and Singapore and India and Africa. It also started cargo services between India and Australia and India and Japan. With the liberal help of loans for the purchase and construction of overseas vessels and with the prospects of carrying a fairly good quantity of Government owned cargoes, new
shipping companies came into existence. In recent years the Jayanti Shipping Company and the shipping corporation of India have enabled Indian shipping to show remarkable progress in several directions. As a matter of fact, Indian shipping has now been covering almost all important routes in international waters.

An important agreement was recently concluded between the Indian shipping companies and the Karmahome conference for sharing the trades between India-Pakistan and U.K./continental trades, with the result that Indian lines would be able to carry almost 50% of the Indian trades on these routes by 1971. Bilateral agreements for the carriage and the sharing of the trades between India and Russia, India and Poland, India and East Germany and recently between India and the United Arab Republic have been made, and this is a new feature in the expansion of Indian shipping. It is bound to enlarge the share of our ships in carrying the overseas trades of our country. The founding of Jayanti Shipping Company records a new milestone with its tanker 'Adi Jayanti' carrying crude oil for the first time in international waters in 1961. More tankers will be entering that field in near future. The Great Eastern Shipping Company led the way in the carriage of tramps trades, and the Jayanti Shipping Co., made vigorous progress in that direction. The construction of large bulk carriers, each of over 20,000 G.R.T. for the carriage of such bulk cargoes as iron-ores and foodgrains, and tankers each of more than 30,000 G.R.T. for moving crude oil and refined petroleum products covers new and memorable milestone in the progress of Indian shipping.

This, however, should not develop in us, the feeling of
complacency. The share of Indian shipping in the overseas trade, today is only about 12% and we have to make up a long leeway to reach the target of 50%. The share of India's foreign trade in world trade is estimated to be 1.5 per cent; whereas the share of her shipping tonnage in world tonnage is only 0.83 per cent.

Comprehensive and accurate data in regard to the deadweight tonnage of cargo that passes through the ports of India every year is not published by the Government, except for the major ports. However, according to Shri M.A. Master the total volume of cargo that was carried in the overseas trades came to 24 million tons in 1957-58 and he expected very little variation in that figure for the next 5 to 7 years. The traffic of our major ports increased from 22 million tons in 1951-52 to about 43 million tons (including Marmagao) in 1962-63, almost a rise of 100%. This provides us with at least a rough index of the growth of our foreign trade since most of our foreign trade is handled by the major ports. If we deduct the tonnage of coastal trade from these figures, the likely volume of our overseas trade will come to over 30 million tons in 1962-63.

It will be useful to make projections of the traffic in various bulk commodities of our foreign trade during the Fourth Plan period. From such information and data published in the newspapers from time to time, tentative assessment of the exports and imports of the important bulk commodities is attempted here.

* "Shipping Target for the Third Plan" by Shri M.A. Master, published in Transport of May 1959 issue.
An agreement has recently been concluded to set up a refinery at Cochin. It has been decided to set up a refinery at Madras and another at Haldia each of 2.5 million tons capacity. There is also a possibility of a similar refinery being set up in North-West India based on the imported crude oil of about 2.5 million tons. Besides, the capacities of the existing refineries at Barauni, Gujarat (Koyali), Vishakhapatnam, and Bombay, are likely to be expanded by a million tons each. Therefore, the import of crude oil which was about 14 million tons in 1962-63 is likely to be of the order of 25 million tons in 1970-71. The iron-ore exports are likely to be over 20 million tons in 1970-71, as against 7 million tons in 1962-63. The Manganese ore exported in the year 1962-63 amounted to 0.9 million ton and it is reasonably expected to reach a figure of 1.5 million tons by 1970-71. In view of the existing food situation in the country, import of foodgrains will have to continue at an average rate of 4 million tons. Efforts are also being made to regain our lost markets and there are prospects of exporting about half a million tons of coal per year to Burma and Pakistan. Several new fertiliser factories are proposed to be set up in the hinterlands of Bombay, Mormugao, Mangalore Madras, Vishakhapatnam and Haldia. The factories at Baroda and Trombay are coming up. Besides the capacity of the factory near Cochin is proposed to be doubled. As these factories go into production, imports of fertilisers are likely to decline. However, they will be importing a sizeable quantity of raw materials viz., rock phosphate and sulphur. The import of these commodities is therefore likely to rise from about 1.2 million tons in 1962-63 to about 4 million tons by 1970-71. The export of Sugar is likely
to be of about .5 million ton. The export of salt in 1962-63 was about .12 million tons and in view of the large demand of this commodity in foreign markets, like Japan it is likely to be of the order of .5 million ton by 1970-71. The current traffic in iron and steel and machinery is of the order of 1.7 million tons. While the traffic in iron and steel may remain more or less of the same order, that of machinery is likely to increase on account of the increased industrial development of the country. The volume of traffic in this commodity will be about 3 million tons by 1970-71. The final position can be summarised as follows:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Traffic figures (Import or Export) for 1961-62 in m. tons</th>
<th>Projected traffic figures (Import or Export) for 1970-71 in m. tons</th>
<th>Net addition in m. tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>14.00</td>
<td>25.00</td>
<td>11.00</td>
</tr>
<tr>
<td>Iron Ore</td>
<td>7.00</td>
<td>20.00</td>
<td>13.00</td>
</tr>
<tr>
<td>Manganese ore</td>
<td>0.90</td>
<td>1.50</td>
<td>0.60</td>
</tr>
<tr>
<td>Food grains</td>
<td>4.00</td>
<td>4.00</td>
<td>-</td>
</tr>
<tr>
<td>Coal</td>
<td>-</td>
<td>.50</td>
<td>.50</td>
</tr>
<tr>
<td>Rock Phosphate and Sulphur</td>
<td>1.20</td>
<td>4.00</td>
<td>2.80</td>
</tr>
<tr>
<td>Salt</td>
<td>0.12</td>
<td>.50</td>
<td>.38</td>
</tr>
<tr>
<td>Sugar</td>
<td>0.40</td>
<td>.50</td>
<td>.10</td>
</tr>
<tr>
<td>Iron, steel and machinery</td>
<td>1.70</td>
<td>3.00</td>
<td>1.30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29.32</strong></td>
<td><strong>59.00</strong></td>
<td><strong>29.68</strong></td>
</tr>
</tbody>
</table>

It is obvious from the above figures that the likely volume of our overseas trade will be in the neighbourhood of 60 million tons. The figure for 1962-63 was about 30 million tons of which our ships carried only 12%. Therefore, during the Fourth Plan, we
shall have to add substantially to our shipping tonnage so as to carry increasing percentage of the volume of our foreign trade which likely to be double in quantum. According to one estimate, for carrying only about 15 million tons of commodities like iron ores, foodgrains, steel, fertilisers etc. we would need about 82 bulk carriers of more than 1.6 million G.R.T.; involving a financial expenditure of Rs. 184 crores. This would give some idea about the magnitude of the expansion of shipping tonnage and finances required for shipping in the Fourth Plan.

In recent years, the Government of India have become the single largest importer and exporter of cargoes. The quantity of cargo carried on Government account is estimated to be between 10 to 12 million tons per annum. It is likely to reach a figure of about 20 million tons by the end of the Fourth Plan. The Government of India should allow shipowners to utilise this opportunity for expanding their fleet by offering reasonable rates of freight which would give a fair return. There has been a general reluctance on the part of the Government to pay a direct subsidy to shipowners. The next best thing expected is to provide remunerative freight rates and thereby enable Indian shipping to expand its services in the overseas trades.

Indian tonnage both coastal and overseas, by end of March 1964 attained the revised target of the Third Plan and stands at 1.3 million G.R.T. The Government of India now expects the tonnage to reach 2.5 million G.R.T. by March 1966. This tempo will not only have to be maintained but also have to be accelerated if Indian Shipping is to acquire the target of 50% share in our overseas trade. In view of the limited capacity of the Hindustan shipyard, ships have to be purchased from abroad involving heavy expenditure.
in terms of foreign exchange. Most of the ships (about 2.45 lakhs G.R.T. costing Rs. 22 crores) acquired by the shipowners during the Second and the Third Plans were by securing cent per cent credit for foreign exchange. Since shipping is not included in the hard-core of the Plan, it is the policy of the Government not to release any foreign exchange for the construction and purchase of additional tonnage. Such a policy imposes the avoidable strain on the competitive capacity of the ships by increasing their capital cost to the extent of 25 to 30 per cent. Besides it makes it impossible for ships to contribute to the foreign exchange pool of the country since debts due to the shipyards have to be first fulfilled.

Therefore, the proposal of the Chairman of the National Shipping Board urging upon the Government to take up this matter once again and secure the necessary assistance from the World Bank as well as from other similar institutions of other countries for financing the much needed development of Indian shipping at this juncture deserves a thorough consideration from the Government. Without the release or securing of foreign exchange for the acquisition of tonnage, it would become an extremely difficult task for Indian shipping to make rapid progress as demanded by the rapidly expanding foreign trade of the country. The situation becomes all the more anomalous when it is remembered that the country has been paying a very heavy freight bill which was estimated at Rs. 150 crores in 1958. It must have gone up considerably with the rapid development of our overseas trade. Indian ships earned only about Rs. 40 crores in 1962-63 which is a small amount, even if we take

* Figure given by Shri Lal Bahaadur Shastri, the then Transport Minister, in Parliament.
our freight bill in 1958 and still smaller if the expected increase is accounted for. In the face of such an irresistible logic of the situation, the adamance of the Government in this regard becomes ununderstandable.

Passenger transportation in the overseas fields has been the neglected aspect of our shipping largely on account of the expensive nature of the service and the reluctance of the Government to pay the necessary subsidy. Though reliable and accurate data is hard to come across, it is reasonably certain that there is a large movement of passengers between India and foreign countries, particularly between India-U.K. and Continent, India and Malaya, India and Africa etc. However, at present the passenger services run by Indian lines are:

(a) India/East Africa Service run by shipping Corporation of India Ltd.
(b) India/Malaya Service
(c) Bombay/Karachi (touching all intermediate ports and run by Scindias.
(d) Bombay/Cochin
(e) Kokan Services run by the Bombay Steam Navigation Co.Ltd.
(f) Bombay Goa Services

Barring (a) and (b) from above the other services are coastal and we have yet to develop passenger services between Bombay and Persian Gulf, India and the U.K./Continental and India and U.S.A. Moreover, we must add to our passenger vessels since they play a vital role during periods of national emergencies and times of war. They serve as carriers of troops. Besides, large mass of people cannot be moved from one part to the other, such as those who had to be moved from Burma to India during the last war and from Pakistan to India after partition; without an adequate number of passenger vessels.
The Shipbuilding Industry:

The Hindustan Shipyard Ltd., since its inception to the year 1962-63 has constructed 31 vessels with an aggregate of 258,000 D.W.T. The cumulative figure of the subsidy received by the yard uptill now is as high as Rs.7.16 crores. Its average rate of production is between 2 to 3 ships per year and upto 1959 it was able to build only about 30 per cent of the tonnage which was newly constructed. This per centage must have further gone down since a large number of ships were acquired from foreign yards in recent times. The cost of construction of the ships is high as compared with the shipyards in U.K., and is still higher as compared with that of Japanese and German shipbuilding yards. Therefore, in order that the vessels constructed in the Hindustan shipbuilding yard are available at the price of the U.K. yards, the Government has to give a subsidy of on an average, 24 per cent of the total cost of the ship. The high cost of construction is largely on account of the import of iron and steel, engines, boilers and a bulk of materials used in the construction of ships. Absence of dry-docking facilities also add to the cost. It was estimated during 1959-60 that by building ships in India we could save only 40% of the amount of foreign exchange which we would have paid for their construction in foreign yards. However, of late the import of foreign materials has gone down to some extent and during 1962-63, the yard imported about 68% of its total requirement of steel, 32% of its stores. The requirements of machinery is almost 100% imported from abroad. This is the state of affairs of our shipbuilding industry even after a lapse of over 20 years!

For putting the yard on a sound footing it is necessary to
enable it to reach its full capacity which is rated at six to eight ships, i.e. 60,000 D.W.T. per year, so that it can reduce the cost of construction by realising the economies of large scale operations. For developing the yard upto the modern standards it will be necessary to have proper designing, accurate estimating of cost, the supply of indigenous steel, the manufacture of marine engines and boilers in the country, the development of ancillary industries for supply of equipment, the provision of a dry dock and the building up of trained technical personnel.

The construction of a second shipbuilding yard at Cochin with Japanese collaboration is now almost finalised by the Government of India. The project is likely to cost, initially, about Rs.20 crores. One pauses for a moment and deliberates about the wisdom of constructing a second shipyard when the existing one is in a bad shape. Even when the Government of India is not able to fulfill the primary need of the shipbuilding yard viz., the dry dock, it is embarking upon such a huge project. However, the official thinking seems to be based on simple arithmetic – if you have two shipyards instead of one, you will have more ships constructed every year! The minimum capacity which India should develop for building ships, at least for the foreseeable future, should be at least 50% of the total tonnage which she wants to acquire during a plan period. The Hindustan Shipyard can deliver about 60,000 D.W.T. per year after the necessary expansion. Obviously this would not be enough for realising a rapid growth of our shipping tonnage and hence the second shipyard. Besides the new shipyard will have the benefit of foreign collaboration. What ever might be the line of official reasoning it is necessary
first to expand and modernise the existing shipyard before we think of constructing an additional one.

After the Cochin shipyard comes into full commission, it would be necessary to reserve the Hindustan Shipyard, for construction of coastal vessels, in view of the difficulty experienced in the acquisition of coastal tonnage which does not earn any foreign exchange. Since the Cochin shipyard has the advantage of Japanese collaboration, it should be able to construct, bulk carriers, tankers and fast passenger vessels required for our overseas trades. This would be necessary in view of the prospects of virtual stagnation of coastal tonnage. With a large number of vessels due for the scrap-heap, it is estimated that even to maintain the coastal tonnage at the present level of about 4 lakhs G.R.T. by the end of the Fourth Plan, not to speak of expansion, an approximate outlay of Rs.55 crores in foreign exchange would be necessary.

Ship Repair Facilities:

Like the shipbuilding industry, the ship repair industry in India has in recent years been experiencing serious difficulties owing to lack of essential equipment, high cost, shortage of raw-materials, inadequate port facilities and foreign competition. There are a number of ship repair firms in Bombay and Calcutta and other ports. But owing to shortage of foreign exchange, spare parts are not available and there has been a decline in earnings from repairs to Indian as well as foreign ships.* The decline in earnings with regard to latter amounts to so much loss of foreign

* The requisite data are not easily available in this regard.
exchange. All these have resulted in idle capacity and flight of technical personnel to other industries. With the steady expansion of our shipping tonnage which is reasonably expected to be 3 million tons by the end of the Fourth Plan, it has become an imperative necessity to increase our ship repair capacities. Every year we are incurring a large amount of expenditure in foreign exchange, as we have often to get the ship repairs done abroad. If we have adequate ship repair facilities, this drain on our foreign exchange resources could be prevented. Besides, we could earn foreign exchange by undertaking repairs to foreign vessels when in or near Indian waters. It will be therefore necessary to have ship repair berths of suitable types at convenient places. Dry docking facilities are also quite inadequate at present and will have to be increased. At present, we have only nine dry docks, four at Bombay and five at Calcutta for accommodating seagoing merchant ships. Besides, the imports of spare parts and ships repair materials and equipment should be made duty free to help the development of this industry. Ships are allowed to be brought without duty, the same exemption should be extended to spare material and ship repair equipment, as is the case in most other maritime countries.

The Ship Repair Committee, which reported in 1959, had examined this question. It recommended the formation of an all-India Advisory body as well as local advisory committees at Calcutta and Bombay to study the problems of the ships repair industry and advise the Government in that regard. It is only now (1964) that the Government of India has set up a Central Advisory Council for the purpose. However, the situation demands

* Ibid.
more vigorous steps. It is hoped that the Council comes forward with concrete measures for the development of this industry and ensures their expeditious implementation by the Union Government.

**Development of Ports:**

It is the primary responsibility of the union as well as the maritime State Governments to provide adequate port facilities on which the efficiency and economy of shipping services in coastal as well as the overseas trades very largely depend. We have about 150 working ports, out of which 7 are major ports and 20 are classified as intermediate. The traffic handled by them is about 48 million tons. The major ports account for over 40 million tons, that is five-sixth of the total traffic. It is worth noting that three ports of Bombay, Calcutta and Madras alone account for 75 per cent of the traffic of major ports and 62.5 per cent of the total traffic of all the ports. For the purpose of comparison we may note some facts given in the recently (September 1962) published "Report of the Committee of Inquiry into the Major ports of Great Britain". According to this Report, there are 300 ports in U.K., out of which 15 are termed major by the Committee. The total traffic at these ports in 1961 was 154.1 million tons out of which 70 per cent is handled by the 15 major ports. The forecast of sea borne traffic by 1980 is 343 million tons! The total coastal traffic amounted to about 49 million tons of which dry cargo and tanker traffic constituted 29 and 20 million tons respectively. Of the dry cargo traffic coal alone amounted to 21 million tons.

As shown in the appendix, against our total annual tonnage of 48 million, the foreign trade of New York port alone is 41
million, the traffic of Rotterdam is 90 million and the four Japanese ports of Tokyo, Osaka, Yokohama and Kobe alone account for more than 65 million. These figures very clearly indicate the extent to which the port traffic is linked up with industrial progress.

The lesson to be drawn is very obvious. If in the United Kingdom, a compact but small, highly industrialised country, with well developed railway system, so much cargo can move coastwise, we in India should not find it difficult to do so. While a large quantity of coal can conveniently move round the English coast, we still hesitate to move a small quantity of 2 million tons round our coast. This is largely on account of the poor port conditions and consequent delays at our ports. At the root of such delays, there are two principal causes:

(a) Direct berthing ports are few and they also suffer from insufficient berths

(b) Obsolete port equipment.

The seven major ports and the ports of Bhavnagar and Okha are the only nine ports in our country with berths for ships to come alongside. At all these ports the berths provided are insufficient considering the despatch and the traffic. It is not infrequent to read about congestion particularly at Calcutta, Madras and Bombay, where a major portion of the total traffic, is concentrated, on account of the 'Big port policy' followed in the times of the alien government - an unenviable legacy from the past. As the nine direct berthing ports, vessels lose precious days waiting for berths, and at all the remaining ports, vessels work their cargoes by lighters. Apart from being costly the lighterage work
is slow. It is therefore, necessary to have direct berthing all-
weather ports at every 200 to 250 miles apart, along our coast
of 3500 miles. This will ensure that there is not a single point on the
coast, away from a good port, by more than 100 to 125 miles.
Besides it is also possible to construct specialised ports like,
ore port, oil port or coal port if demanded by the pattern of the
traffic. This would mean that our country should have at least 15
such ports as against 9 at present. For small country like U.K.
if there are 15 major ports with modern facilities, for the size
of our country with increasing tempo of industrialisation there
should be many. It will be also necessary to co-ordinate the
siting of industrial complexes with the construction of new ports
and the development of the existing ones. The export or import
oriented industries, and those which can be fed by coastal move-
ment, like cement, heavy chemicals, power plants, steel plants
etc. should be located on the coast. The idea is that industries
should be within easy reach of the ports. It is heartening that
this consideration is now reflected to some extent though
belatedly, in the official thinking, and new industrial projects
like the refineries, steel plants, fertiliser factories etc. are
likely to be located at the port or in the immediate hinterland
of a port. A number of small export oriented industries are
likely to be established in the free trade zone now being
instituted at Kandla. Such a co-ordination between the industrial
complexes and the well spaced ports will reduce the burden of
railways, and industries located at these ports will make it
worth while to provide direct berthing facilities as also
facilities for speedy turnaround of vessels to the mutual benefit
of the industry and the port.
According to Shri M.A. Master, the traffic at our Intermediate and Minor ports, during the Five Years period, from 1957-58 to 1962-63 has gone up from 5.2 m. tons to 7.8 m. tons. The increase is about 50 per cent. Moreover, foreign exports of these ports constituted nearly 40 per cent (2.9 m. tons) of the total traffic. Therefore, these ports deserve better attention from the Planning Commission and one hopes that adequate finance will be provided for their development in the Fourth Plan.

At almost all ports the handling equipment is obsolete. Some efforts are being made to modernise it. But so much time is wasted in debating the suitability and advisability of getting a particular equipment that by the time it is decided to get the equipment and equipment is received, it becomes obsolete in the changing technological world. But in many cases such replacements are simply not done. It will not be unusual to find at our ports cranes some four decades old, with speeds one fourth of that of the modern cranes. Mechanical loading plants are rare—there is one coal loading plant at Calcutta, one ore loading in Madras and a similar one at Goa. It is therefore, very necessary that every port examines its despatch rates and takes prompt measures to considerably improve it, besides providing new berths. In fact to the extent that despatch could be improved and turn round of vessels expedited, the berths will handle more cargo per annum and thereby reduce the need of additional berths.

For the ship from Calcutta to Punjab, the steaming time necessary for a good vessel will be about 10 days. But because of obsolete port equipment the loading and unloading operations take 12 to 15 days. Moreover, a few days are usually lost due to
unavailability of berths or shortage of lighters and tugs. A
ship generally costs about Rs.5000 per day and if the time
involved in loading and unloading as also waiting for berths or
lighters can be reduced to half, which is possible to do with the
aforementioned improvements, the shipping lines will save enormous
amount. Moreover, on account of the limitations of draft conditions
in the river Hooghly a ship loses freight of 2000 tons. If action
was taken earlier, to improve this draft, or change the loading
site, as is now being thought of, there would have been much
saving to shipping lines. Delays at ports and unutilised carrying
capacities of ships, have been very largely responsible for the
stagnation of our coastal trade. Their removal will result not
only in considerable saving of the cost of transportation but
also saving in the number of ships required to carry the same
tonnage of cargo per annum. The ships available could carry
much more cargo. And if port facilities are better, there will
be incentive to go in for faster vessels. To-day the time taken
at our ports hardly leaves any inducement to the shipowners to
go in for faster vessels. Having caught into this vicious circle,
the efficiency of our coastal shipping services is considerably low.

What is true of our coastal trade, is all the more true
about foreign trade. In the case of our ships in the coastal
trade, the delay at our ports costs in rupees. The foreign
vessels charge the freight which are adjusted for unusually long
delays at our ports. According to one estimate we pay about Rs.10
crores per annum more in freight on overseas trade due to our
tardy loading and unloading rates. The actual foreign exchange
component of this extra freight will depend on proportion of
foreign trade carried in foreign vessels, which is about 88 per cent. Therefore, the additional foreign exchange paid on account of tardy turnround of ships will be about 8.3 crores. Such a state of affairs calls for immediate remedial action.

The traffic handled by all our ports in 1950-51 was 24.1 million tons. In 1960-61, it went up to 46 million tons. It can therefore, reasonably expected on the basis of even constant rate of increase, to be of the order of 83 to 90 million tons by 1970-71. If the existing conditions of our ports continue to persist, with the prospect of such a fast growth of traffic, we expect nothing but the virtual paralysis of our shipping services. The port conditions have to radically change. Besides, the expected port capacity by 1965-66 is estimated to be about 65 million tons and we should have, by the end of the Fourth Plan, a working capacity of at least a 100 million tons to handle the minimum expected 88 million tons of cargo and leave some bare margin for likely increase.

Under the existing administrative arrangements, the major ports are looked after by the Union Government whereas the responsibility of the non-major ports is with the maritime State Governments. The underlying idea behind such an arrangement seems to be that development of major ports needs extensive resources in terms of finance and technical equipment and personnel which would be within the reach of the Central Government. Besides, they serve as an outlet to many States, and their development has to be planned as such. The non-major ports mostly serve the areas within the boundaries of the maritime States. The State Governments therefore, would be the suitable agencies
for their development. If that is the purpose one wonders how far
it is served in actual practice. We shall illustrate this by taking
one
two typical cases, falling within the responsibilities of the
Central Government, and other under the State Government. Take for
instance the port Kandla. Many of the problems mentioned above
largely do not exist at this port since it is a new port. Insipite
of satisfactory port facilities, traffic does not increase as it
should, largely on account of poor transport connections with the
hinterland. It is expected to replace the loss of Karachi port and
its hinterland extends up to Himachal Pradesh and Kashmir. The
construction of the port started 1953 and the decision to link it
with just one point in South (Ahmedabad) by a broad guage railway
is taken only now, leaving aside the vast hinterland in North
which is still connected with narrow guage railway. It is a case
of putting the cart before the horse. The port may be excellent
but if it is not properly connected with the hinterland, its
attraction will be less and the investment in the port will not
give optimum returns.

We shall now take the example of a maritime State viz.,
Gujarat. It is well known that industrial activities in the
Central Gujarat are growing at a fast rate. A number of industrial
units have been established round about Surat, Baroda and Ahmedabad.
A refinery at Koyali near Baroda with a capacity of 3 million tons
is coming up. A fertiliser factory and petro-chemical industries
complex will be established at Koyali very shortly. For the
export of the finished products and the import of industrial raw
materials and coal, the nearest sea outlet for this area today
is either Kandla in the North or Bombay in the extreme South. If
the traffic moves in either direction it would mean so much strain on the railways as also on port capacity particularly in case of Bombay. The nearest and most suitable sea outlet would be Dahej a minor and obscure port at the moment. From the engineering point of view, the port site has the necessary marine feature for developing into an all weather major port. Unfortunately its development programme is not yet even in a blue print stage. These instances clearly indicate the lack of well-thought out port policy and planning and sense of urgency and initiative on the part of the authorities concerned, in the matter of development of our ports.

In a developing economy like ours the volume and the pattern of the flow of traffic need a continuous study. It is very necessary, therefore, for the Central as well as the maritime State Governments to conduct exhaustive traffic surveys periodically in their respective spheres. This would be not only helpful in planning the port development but also in co-ordinating various means of internal transportation of our country.

The survey of coastal waters is very essential for the safety of ships and the security of the country. It is an obligation and the responsibility of the Central Government. We do not have an adequate fleet of survey vessels and the requisite number of qualified surveyors with the result that this vital aspect of navigation is neglected. It is estimated that with the very few survey ships we have, it will take over 40 years to completely survey the coastal waters of our country. It is high time that the matter should receive due consideration at least in the Fourth Plan.

Our merchant navy to-day consists of about 215 ships. With
the further growth in the number of the ships and tonnage, the requirement of an adequate salvage fleet can not be delayed any more. Such a fleet should be developed in collaboration with our defence navy.

The Shipping Policy

The assessment of the shipping policy of the Government of India has to be done in the light of the developments traced and observations made earlier. The post-war history of Indian shipping is full of missed opportunities. Shipping is a highly competitive international industry, which throws only occasionally favourable opportunities for a country like ours to develop the merchant marine. After the closure of the World War II, the merchant navy of the cost of the maritime countries were depleted and the country like U.S.A., was eager to dispose of her surplus tonnage constructed for the wartime needs. We had the necessary sterling balances with the Bank of England to buy the ships but the opportunity was not availed of. The programme of a large import of foodgrains in the immediate post-war period, which even now continues, was not utilised for expanding our tonnage. The official policy has been one of acting by fits and starts, punctuated by vacillations and procrastinations. The coastal trade of the country was reserved for Indian ships in 1950, but the logical obligations of this decision were not carried out. No inducement was provided to the private shipowners to build up a tanker fleet with the result that even today foreign tankers ply in our coastal waters. The prospect of developing a tanker fleet in the private sector was discouraged by the decision of the
Government of India to reserve that field for the public sector. The reluctance on the part of the Government to allow economic freight rates for coastal operators resulted in stagnation in coastal shipping. The official approach is piecemeal and there is a persisting tendency of finding ad hoc solutions to problems of Indian shipping. Ad hoc inquiries are instituted when the Government finds it difficult to resist the pressure of the situation, with the result that lasting solutions are not found. This has been so with reference to the inquiries instituted for coastal freight rates, as also for passengers fares as in case of say, Kokan Ferry services. This passenger service run by the Bombay Steam Navigation company Ltd., has a record of serving the Kokan coast for over 100 years and is very vital for the economy of Kokan and for the labour supply to industries in Bombay. Last year the service was closed for six weeks for want of agreement over the payment of subsidy for the excess repair costs of the ships and the compensation in lieu of a fare rise. The problem still lingers on and ad hoc committees are appointed for finding the solution. The procrastination of the Government of India's policy is to be found in a pronounced degree with reference to shipbuilding industry. The Hindustan Shipyard in the initial stages was in a very bad shape and inspite of repeated requests by the Scindias, the yard was not taken over for a long time by the Government. The request for a suitable subsidy was also turned down. Even after the yard came under the State ownership for want of energetic action, it continued to be in unsatisfactory conditions. It is still not on a sound footing and has yet to reach its full capacity.
For increasing the Indian tonnage at a rapid rate the Government of India, with support of Indian shipowners, came out with a bold experiment of starting a joint shipping enterprise and the Eastern shipping Corporation was established. Later on this was given up in favour of instituting a 100 per cent Government owned shipping enterprise. We have therefore today a mixed economy - the public and private sectors in shipping.

It is interesting to note that in almost all maritime countries of world, outside the communist orbit, public sector shipping enterprise, is nowhere to be found except in Argentina and India. It is thought appropriate to leave the shipping industry with the private enterprise which is considered to be the suitable agency for the job. The wisdom of this approach is borne out by the examples of the premier maritime countries of the world viz., Japan, U.S.A. and U.K. However, the State, in these countries, has played an important and vital role in the development of the merchant marine but it is confined to activities like giving direct and indirect financial subsidies, patronage of cargoes under its control, trade agreements favourable to national shipping, concession in taxes, building of ports and maintenance of port efficiency etc. In short the State plays the role of a catalyst. But in none of these countries, it was thought necessary to either nationalise it nor was it considered expedient to think in terms of a shipping venture owned and operated by the State as an adjunct to the existing, privately owned shipping companies. We have seen in chapter No.VII on Mercantile
Marine Policies of Important Maritime Countries that the contribution of the State in the development of mercantile marine was substantial. However, it was never thought in terms of the outright ownership of shipping enterprises by the State. The question, therefore, is, why has the Government of India thought so? It is well-known that the Government of India is always reluctant to give a direct subsidy either operational or constructional to a private shipping company. It is on record that it has not given it so far. It has recognised to some extent that the nature of the industry demands always some help in the initial stages in the form of a financial subsidy. If that is so, it prefers to give it to a state enterprise rather than a private venture. This appears to be the official line of reasoning behind the decision of nationalising the Hindustan Shipyard. If that is so, it is not consistently observed as a basis of economic policy of the Government of India. To cite a few examples, a substantial amount of Government financial help goes to the agricultural sector through various types of co-operatives and other developmental agencies but it is not seriously contended that agricultural industry should for that matter be nationalised. The small industries sector is also the recipient of large financial and other assistance but it is not again seriously thought that this sector should on that score be owned by the State or become the exclusive sphere of the public sector operations. In other words one could argue for nationalisation of industries on the grounds of larger socio-economic policies, but the single fact, of shipbuilding industry requiring financial
assistance from the Government can not by itself be the adequate basis for the nationalisation of that industry.

The decision to own and operate a shipping company by the Government appears to be based on a purely pragmatic approach, namely that if it adds one more (State owned) shipping enterprise to the existing private shipping companies the shipping tonnage of the country would grow. It is true that the shipping corporation of India has shown good results and is responsible for a substantial addition of tonnage to our merchant fleet, at least for the last two years or so. However, it is pretty clear that the decision was taken without examining the deeper implications of the issue and visualising the consequences of having a mixed pattern of ownerships (public and private sectors) in a hazardous industry like shipping. It is felt that if the finance invested in the State owned Hindustan Shipyard and the Shipping Corporation of India were utilised in assisting the private shipping ventures in the country, it would have given better results and the resources of the country would have been put to more productive use. This rider continues to persist in the minds of shipowners in our country. Therefore, the whole approach needs a fresh appraisal particularly in view of the fact that the public sector's share in the tonnage in operation is likely to be about 22 per cent at the end of the Third Plan. It was about 16 per cent in 1960-61. When the present orders for additional tonnage materialise, it may rise to about 30 per cent. The Planning Commission is reportedly anxious that at least half of the total Indian shipping tonnage should be
secured for the public sector by 1975-76.

The Government of India have raised the limit of foreign equity investment from 25 per cent to 40 per cent in Indian shipping ventures, recently. It is explained that as a rule it is in the country's interest from the view point of foreign exchange liability to have more of foreign equity investment than of foreign credits. However, the decision has not so far proved popular with Indian shipowners as well as the foreign investors. The limited equity participation of the 'Kulkundis Group' in the Jayanti Shipping Co., is now being gradually withdrawn as reported in the press. Therefore, there is only one solitary shipping venture viz., The Indian Overseas Shipping Co.Ltd., recently started in collaboration with an American firm, the Seaboard Financial Corporation. The company has issued capital worth Rs. 1.5 crores, out of which the investment of the American firm is about Rs. 10 lakhs (about 15%). The failure to materialise many collaborating shipping ventures can be attributed to the low profitability of the industry and the growth of public sector. The latter is bound to create legitimate expressions in the minds of the foreign investors. The situation, therefore, calls for appropriate remedial measures, expeditiously.

The National Shipping Board instituted under the provisions of the Merchant Shipping Act of 1958, is expected to be the "highest policy making body", with regard to all shipping matters. It is therefore not easily understandable as to why the advice and recommendations of such a body are not given sufficient consideration in fixing the tonnage targets and
financial allocations for shipping in our Plans. It is also true that even in the matter of freight controversy with the conference lines, the Shipping Board was not consulted. It is also rather strange that a sub-committee should have been appointed by the Board of Trade to study the problem of transportation of bulk cargoes b. Indian vessels, quite independently of the National Shipping Board. As a matter of fact a similar study has been already undertaken by a committee appointed by the Shipping Board. It is also not known whether the Government of India submit to the Indian parliament any report of the Shipping Board or the account of the work done by it year after year. These matters have to be rectified.

It appears that the role of shipping industry is only grudgingly realised in the official quarters. This is betrayed by the meagre financial provisions made by the Planning Commission, reluctance to include shipping in the 'hard core' of the Plan and lack of priority for releasing foreign exchange for acquisition of shipping tonnage. The need for the development of such a vital industry which plays a crucial role in the economy of our country has been emphasised throughout the pages of this thesis. At the same time for the defence and security of our country surrounded by seas on three sides, its importance can not be exaggerated, particularly, in the wake of the recent Chinese aggression. The adequate development of the merchant navy facilitates the growth of the defence navy. While in actual defence operations in the sea, the merchant fleet becomes an important auxiliary force. The destiny of the country is with the development of this
industry. One would therefore even go to the length of suggesting a fullfledged Ministry of Shipping, if that can lend an extra force to the argument in favour of its adequate development.