

## **PART II**

# **RATIONALISATION OF THE FUNCTIONS, ACTIVITIES AND STRUCTURE OF THE MINISTRY OF SHIPPING**

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STRUCTURE OF THE MINISTRY OF SHIPPING  
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# **RATIONALISATION OF THE FUNCTIONS, ACTIVITIES AND STRUCTURE OF THE MINISTRY OF SHIPPING**

## **I Introduction**

### **1. Ministry of Shipping**

1 As indicated in the report on the Ministry of Road Transport & Highways the Ministry of Surface Transport was bifurcated into two ministries viz. the Ministry of Shipping and the Ministry of Road Transport and Highways in November, 2000. The Ministry of Shipping is responsible for major ports, shipping, ship building and ship repair, national waterways and inland water transport and light houses. The subjects allocated to the ministry are listed at Annex 1 and the organisation chart is at Annex 2. A statement showing the sanctioned staff strength of the Ministry is at Annex 3. The Ministry of Shipping has the following subordinate offices, autonomous bodies, societies and associations and public sector undertakings:

#### **Subordinate Offices**

- 1 Directorate General of Shipping
- 2 Andaman Lakshadweep Harbour Works
- 3 Directorate General of Lighthouses and Lightships
- 4 Minor Ports Survey Organisation

#### **Autonomous Bodies**

- 1 Port Trusts at Calcutta, Paradip, Visakhapatnam, Chennai, Ennore, Tuticorin, Kochi, New Mangalore, Mormugao, Mumbai, Jawahar Lal Nehru (Nhava Sheva) and Kandla
- 2 Dock Labour Boards at Calcutta, Kandla, Chennai, Mormugao and Visakhapatnam
- 3 Inland Waterways Authority of India
- 4 Seamen's Provident Fund Organisation

- 5 Tariff Authority for Major Ports

### **Societies/Associations**

- 1 National Institute of Port Management (NIPM)
- 2 National Ship Design and Research Centre
- 3 Seafarers Welfare Fund Society

### **Public Sector Undertakings**

- 1 Shipping Corporation of India
- 2 Hindustan Shipyard Limited
- 3 Cochin Shipyard Limited
- 4 Central Inland Water Transport Corporation Limited
- 5 Dredging Corporation of India
- 6 Hooghly Dock and Ports Engineers Limited
- 7 Ennore Port Company

The Ministry is also responsible for administering the following Acts:

- 1 The Indian Ports Act, 1908 (15 of 1908)
- 2 The Inland Vessels Act, 1917 (1 of 1917)
- 3 The Dock Workers (Regulation of Employment) Act, 1948 (9 of 1948)
- 4 The Merchant Shipping Act, 1969 (44 of 1958)
- 5 The Major Ports Trust Act, 1963 (38 of 1963)
- 6 The Seamen's Provident Fund Act, 1966 (4 of 1966)
- 7 The Inland Waterways Authority of India Act, 1985 (82 of 1985)

2. It would have been more appropriate to have named it as the Ministry of Maritime Affairs instead of the Ministry of Shipping as the latter does not indicate the range of subjects assigned to the ministry. The name 'Ministry of Maritime

Affairs' will also help to heighten the status of the ministry in its dealings with international agencies and other governments.

## **2. Ports**

3. In terms of list I of the Seventh Schedule of the Constitution, the Ministry of Shipping is responsible for the administration of ports declared as major ports under the Major Ports Trust Act. There are at present 12 major ports in the country viz. Calcutta including Haldia, Paradip, Visakhapatnam, Chennai, Ennore, Tuticorin, Cochin, New Mangalore, Mormugao, Jawahar Lal Nehru, Mumbai and Kandla. All the major ports, except Ennore, are Trusts set up under the Major Ports Trust Act and administered by a Board of Trustees. The Ennore Port has been set up as a company under the Companies Act, and is called Ennore Port Limited.

4. Ninety five per cent of the India's imports and exports are sea borne and of this about 90 per cent is handled by the major ports and the rest by minor ports. The major ports handled a total traffic of 281.03 million tonnes during the financial year 2000-01. The assessed capacity of the major ports, as on 31.3.2001 was 291.45 million tonnes. The expected capacity addition during 2001-02 is 52.40 million tonnes, which will take the total to 344 million tonnes. As against, this, the capacity requirement projected for 2005-06 is 424 million tonnes.

5. The financial results of the major ports for the last two years are at Annex 4.

6. The trustees of the Port Trust are appointed by the Government of India under the Major Ports Trust Act. The composition of the Trust provides for representation to the Ministry of Shipping, the concerned State Government, Department of Customs, Railways and various interests like stevedores, shipping agents etc. and to port labour; the trustees tend to be parochial in their approach. The composition of the Trusts and the very fact that a port is structured as a trust and not as a corporate entity militates against the port operating on commercial lines. Even today there are no profit centres in the ports, and their accounting

practises are not commercial accounting practices; no profit and loss statements are worked out. The average pre-berthing time and average turn around time in the Indian ports is still very high as compared to the ports in the neighbouring countries such as Sri Lanka (Colombo), Singapore and Dubai. The productivity of labour and equipment is also low. Although, measures have been taken to bring about a reduction in port staff, Indian ports are still over staffed as compared to modern ports like Singapore. A study has indicated that on an average, the cargo handled per employee in the Indian ports in 1998-99 was about 2030 tonnes as compared to 47,000 tonnes per employee in the U.K. ports and 50,500 tonnes in Rotterdam. The manning scales at the different ports for specific activities also vary widely. For example, for the transfer of containers from ship to quay, Kolkata employs a total of 32 persons as against 12 at Haldia, 15 at Mumbai, 21 at Chennai and 4 at JNPT. The introduction of VRS in all the major ports has helped to reduce port staff by about 11300 persons by 30<sup>th</sup> June, 2001, and the decision to roll back the retirement age from 60 to 58 has helped to reduce the number further by about 4700 persons. But the staff strength in Indian ports is still unduly high and these schemes should be actively pursued to bring down the staff strength to normative levels. Similarly, manning scales should be rationalised and fixed on the basis of the lowest prevailing level, which appears to have been provided for in the recent wage settlement. Due to inadequate draft and inefficiencies in the Indian ports, mother vessels do not call at Indian ports; as a result, containers from India are being transhipped in Singapore, Colombo or Dubai, involving an additional cost of about \$20 per container. With manufacturing and trading companies elsewhere in the world beginning to buy goods on a 'just in time basis', Indian exporters are unable to avail of 'fixed day of call' service by the major shipping lines and are, therefore, forced to maintain warehouses. The cost of transhipment, warehousing and delays were estimated to be around US\$ 1.5 billion per annum in a World Bank study. These are additional costs that the Indian economy has to bear at a time when India's exports have to become globally competitive.

7. As major service providers to India's foreign trade, it is imperative that the ports are run on commercial lines. The Chairmen of the Port Trusts should also be selected from the best available talent in the country instead of making opportunities only from the services or the cadre of port officers. All this can happen only if ports are corporatised and subjected to the disciplines of the market.

8. With the view to introducing competition and commercial working practices in the major ports, the Government of India announced some major policy initiatives in October 1996. The policy package identified areas in ports that would be thrown open for private participation and operation. It was the intention that the Port Trusts would soon move towards becoming landlord ports, with all the commercial services being provided by the private sector. The policy package also envisaged that Port Trusts would be corporatised eventually and made to operate on commercial principles as companies under the Indian Companies Act. It is in pursuance of this that a new major port namely, Ennore Port, has been set up as a company. Action has also been initiated to corporatise JNPT; the Haldia Dock Complex of the Calcutta Port and the Ports of Mangalore, Mormugao and Tuticorn are to follow. It should be the endeavour of the government to corporatise all the major Port Trusts within the next three years. In case there are difficulties in evaluating the assets and liabilities and structuring the equity of old ports like Chennai, Mumbai and Calcutta, government should consider setting up port companies to which all the commercial facilities like berths and cargo handling equipment could be leased out, with the Port Trust retaining only the ownership of the land and water front. Such an arrangement would enable the port companies to provide services on commercial lines. But corporatisation should not be an end in itself, as a port company in the public sector may perform no better than a Port Trust. Port companies should be privatised at the earliest, preferably through public offering.

9. In 1996, the financial powers of the Port Trusts, which were limited to Rs.2 crore, for new investments, and Rs.5 crore in respect of replacements/renovation were increased to Rs.50 crore and Rs.100 crore respectively. With the

substantial increase in the financial powers of the Port Trusts hardly any proposals now come to the Government of India for investment/expenditure approvals. With the eventual corporatisation and privatisation of the ports, the Government of India would also be considerably relieved of work relating to port establishment, wage negotiations, etc.

10. As would be seen from the organisational chart at Annex 2, the Secretary, Ministry of Shipping is assisted by a Development Advisor with supporting staff. The Development Advisor provides technical advice on port development. With the Port Trusts themselves having competent personnel in all relevant disciplines to prepare/evaluate proposals for port development and with ports now having enhanced powers to take necessary investment decisions, there appears to be no need for continuing the post of Development Advisor. The ministry, whenever technical advice is required, can always draw the necessary expertise, be it civil, mechanical or ocean engineering, from any of the ports, IITs or consulting companies. The office of the Development Advisor as it now exists has only resulted in creating an additional channel of scrutiny and there is a danger of even non technical matters being referred to the Development Advisor, which could cause avoidable delays. The post of Development Advisor and Development Wing in the Ministry could be abolished.

11. The Ministry is also responsible for the Dock Labour Boards which were set up in the ports of Mumbai, Calcutta, Visakhapatnam, Cochin, Chennai, Mumbai and Kandla under the Dock Workers (Regulation of Employment) Act, 1948. In order to ensure optimum utilisation of labour by making dock workers and port workers inter-changeable, government has already decided to merge dock labour with port labour, which has been achieved in Mumbai, Cochin and Mormugao. Merger of the DLB with the ports in the remaining four major ports is expected to be completed by the end of the current year. It should then be possible to repeal the legislation pertaining to dock workers.

12. The Dredging Corporation of India: The DCI was set up at a time when adequate dredging facilities did not exist in the country and reliance on external sources for dredging in the ports was not considered appropriate. The situation

has now changed. All the major ports are now permitted to invite international bids for dredging and award contracts on a competitive basis. Major international dredging companies are now operating in India. The DCI has limited capacity, which is being put to optimum use. The company is making profits. The operating and financial results of the company for the last 5 years upto 1999-2000 are at Annex 5. There is no rationale for retaining DCI as a public sector undertaking and it should be privatised.

13. The NIPM is already an autonomous body run by the Indian Ports Association, which is the association of the major ports intended to provide common services to the major ports.

14. The Minor Ports Survey Organisation functioning under the ministry conducts hydrographic surveys of minor ports, major ports, inland water ways, irrigation systems etc. The organisation is even now working on a 'no profit no loss' basis realising charges for surveys at the rates fixed by the government. This organisation could be corporatised and made to operate on commercial lines.

15. The Andaman and Lakshadweep Harbour Works was set up as a unit in 1965 for planning and executing the maintenance of ports and harbour facilities at Andaman and Nicobar and Lakshadweep. This unit should either be handed over to the concerned UT governments or merged with the Calcutta/Chennai Port Trusts and Cochin Port Trust. Given the volume of work in Andaman/Nicobar and Lakshadweep, these two harbours can easily be handled by Calcutta/Chennai and Cochin Port Trusts.

16. Conservancy functions in the ports are now being exercised by the Port Trusts themselves. As Port Trusts are corporatised, it would not be prudent to leave it to companies operating on commercial principles to exercise conservancy functions, especially when IMO regulations relating to Port State control are being tightened. In the minor ports, conservancy requirements are not sufficiently understood and adhered to. As oil spillages and accidents in minor ports can also have serious implications for safety and the environment, conservancy should not be left to the minor ports. It would be desirable to vest

all conservancy responsibilities in all the ports, both major and minor, in a Maritime Authority, which is discussed at some length at the end of this report. This is the practice that has been adopted in UK and Singapore where the ports have been corporatized and are run by companies.

### **3. Shipping**

17. In shipping, the role of the ministry apart from administering the Indian Merchant Shipping Act and processing the conventions and protocols of IMO for purposes of ratification or accession, is to create a conducive environment for the growth of India's shipping tonnage. India has been ranked 17<sup>th</sup> in the world in terms of tonnage and as of 31.12.2000 has a total tonnage of 6.93 million tonnes. The chart at Annex 6, which shows the growth of Indian tonnage, would indicate that there has been very little growth in the last five years. Merchant shipping world over is run on commercial lines with decisions to invest in ships taken on commercial considerations. India still continues with licensing of ship acquisition through the Ship Acquisition Licensing Committee chaired by the Secretary, Shipping. Although the licensing procedure has been simplified and streamlined in recent years with the introduction of automatic approval for certain kinds of acquisitions, the rationale for licensing ship acquisition in an economy that is being increasingly liberalised is not clear. When a company desires to acquire a ship, it should be allowed to sink or sail with the ship and there is no reason why government should be concerned with the viability of the acquisition proposal. What a Government or a regulator should be concerned with is the seaworthiness of a vessel, and the seaworthiness of a ship is certified by Director General, Shipping before it is registered under the Indian flag. Licensing of ship acquisition should be altogether abolished and it should be left to DG, Shipping to ensure the safety and seaworthiness of a ship.

18. The enforcement of the Indian Merchant Shipping Act, 1988 is the responsibility of the Directorate of Shipping, an attached office of the ministry. DG, Shipping is responsible for all matters relating to shipping policy, implementation of international conventions relating to safety, prevention of

pollution, promotion of maritime education and training, examination and certification, etc. The DG enjoys a statutory status under the Merchant Shipping Act and is assisted by three Deputy Directors General, five Assistant Directors General, a Nautical Advisor, the Chief Surveyor and other supporting administrative and technical staff. The office of the DG includes the mercantile marine departments at Calcutta and Chennai with subordinate offices at Jamnagar, Goa, Port Blair, Tuticorin, Vizag and Cochin. There is also a Seamen's Welfare office at Chennai and Seamen's Employment offices at Calcutta and Mumbai to regulate employment of seamen and look after their welfare. The DG's office inspects cargo and passenger vessels for safety and sea worthiness and also examines and certifies seamen and officers working in the merchant navy.

19. The following four government run training institutes impart training for cadets and officers in marine engineering and nautical disciplines; (1) Training Ship Chanakaya, Navi Mumbai, (2) Marine Engineering and Research Institute, Calcutta, (3) Marine Engineering and Research Institute, Mumbai, (4) LBS College of Advance Maritime Study and Research, Mumbai. In addition, the DG has recognised some 86 institutes in the private sector to supplement the training efforts of the government institutes. Training opportunities in these various institutes are highly coveted and paid for either by the candidates themselves or by the shipping companies sponsoring them. The training institutes are also self sufficient and do not avail of any government support. A decision has already been taken to set up an Indian Institute of Maritime Studies under the Societies Registration Act, and place all the four government run institutes under it. The Society should be given status of a deemed university or of an IIT and should become totally autonomous.

20. On the shipping side, the ministry is also responsible for the Shipping Corporation of India which is the largest shipping company owning about 40 per cent of India's total tonnage. SCI, which has been conferred 'Miniratna' status, has a good track record of making profits. The net profit after tax in 1999-2000 was Rs.161.6 crore. There have been considerable delays in the acquisition of

tonnage by the SCI due to delays in securing investment clearances from the GOI and in the process SCI has not been in a position to gear itself up for changing cargo requirements and growth. SCI is now a candidate for disinvestment, and the disinvestment should be completed.

21. The Ministry of Shipping also has a Chartering Wing (Transchart), which is responsible for making shipping arrangements for the transportation of cargo owned/controlled by the government or by government owned entities like PSUs as per the policy of buying FOB/FAS and selling CAF/CIF. Transchart has an enviable record of making shipping arrangements at internationally competitive freight rates, thus saving valuable foreign exchange for the country and in the process also providing cargo support to Indian vessels. The policy of buying FOB and selling CAF/CIF is in the national interest and Transchart should continue. There is, however, considerable scope for the computerisation of the operations of Transchart and this could result in a reduction in the staff strength. This exercise should be carried out in six months.

#### **4. *Ship Building and Ship Repair***

22. The Ministry of Shipping is the nodal ministry for ship building and repair industries, fishing vessel industry and floating craft industry. There are 28 established shipyards in the country including 19 private sector shipyards. Of the remaining 9 shipyards, 7 are in the central public sector and 2 under the State sector. Of the 7 central public sector undertakings the following four are under the administrative control of the Ministry of Shipping, and the remaining three are under the administrative control of the Ministry of Defence:

- I. Hindustan Shipyard Limited, Visakhapatnam
- II. Cochin Shipyard Limited, Cochin
- III. Hoogly Dock and Port Engineers Limited, Calcutta
- IV. Central Inland Water Transport Corporation, Calcutta

23. India has no comparative advantage in ship building. The bulk of the steel and other components, including paints, required for ship building are imported. In spite of efforts to modernise the technology used, ship building in India is not world class and productivity is low. The delivery time in the Indian shipyards is long as compared to shipyards elsewhere in the world. No foreign shipping company ever comes to an Indian shipyard for building vessels. The GOI provides a subsidy of 30 per cent on ocean going vessels ordered on Indian shipyards and also an interest differential support up to 5 per cent to Indian shipping companies which raise finances from an Indian financial institution for ordering a ship on an Indian shipyard. Availing of this subsidy and with some pressure from the government, SCI has placed orders for bulk carriers with HSL and CSL. At the instance of the ministry, major ports also place orders on public sector shipyards for the construction of tugs, vessels, etc. on a nomination basis. There is little economic or strategic justification for providing the subsidy for building ships of the sizes and classes where our yards do not have a comparative advantage. What is important is that ships should be owned by an Indian company, and fly the Indian flag. The ship building subsidy and the interest differential support should be provided only when a yard, quoting on the basis of the subsidy, wins the order against competitive bids.

24. India, however, is very well placed geographically from the point of view of ship repairs, and both HSL and CSL and other private sector shipyards have been making profits from ship repairs. Their turnover from ship repair has steadily gone up. Shipyards should become viable by courting orders for construction of vessels on a competitive basis and by strengthening their ship repair activities.

**HSL:** HSL, which was taken over by the GOI in 1952 has not been a profitable venture. Financial results for the last four years are as under:

(Rs. In crore)

YEAR	TURNOVER	PROFIT/LOSS (-)
1997-98	104.99	(-) 62.19
1998-99	169.99	(-) 29.67
1999-2000	207.00	(-) 31.60
2000-2001	205.00	(-) 38.89

Accumulated losses of the company up to 31.3.2000 are Rs.1071.5 crore against a paid up capital of Rs.101.81 crore. Had it been a manufacturing company, it would have by now been referred to the BIFR. Given the location of the yard and the facilities for ship building and ship repairs that it has acquired with substantial government support (investment of Rs.251.16 crore up to 31.3.2000) efforts should be made to secure a strategic partner for the company and disinvest GOI holdings.

**CSL:** CSL which was incorporated in 1972 on the other hand is a profit making company. It has made a net profit of Rs.39 crore in 1999-2000. The profits have come largely from ship repair. There is no strategic or commercial rationale for continuing CSL in the public sector. The company should be privatised as soon as possible.

**HDPE:** HDPE which is one of the oldest shipyards in India is consistently suffering losses due to old and dilapidated machinery, low productivity, non availability of building space and working capital and more importantly lack of orders. The net worth of the company has been negative since 1989-90 and this company also would have been referred to BIFR had it been a manufacturing concern. Attempts made so far for the revival of the company in the short term have failed and in the circumstances, government appears to have no proposals to put together a long term revival plan. The company has valuable land in Calcutta and should be sold as real estate and for whatever the assets can obtain.

**CIWTC:** The principal activities of CIWTC are transportation of cargo in the inland water ways in the country, and between India and Bangladesh. In addition, it provides services in the areas of construction and repairs of small and medium sized IWT/coastal vessels and repair of ocean going vessels. The company has an accumulated net loss of Rs.578.57 crore against a paid up capital of Rs.108.43 crore. The ship building activity and ship repair activities of this company have not been profitable due to a shortfall in orders and non availability of working capital. CIWTC has not been in a position to compete with private sector shipyards making similar sized vessels. The ship building and repair activity of this company should be closed, and the assets disposed of. The riverine operations of the company have been dealt with separately under Inland Water Transportation.

25. The Ministry has a Ship Building and Ship Repair (SBR Wing) to advise on matters relating to development facilities for ship building and ship repair, fishing trawlers and ancillary development. The focus of the SBR Wing has been on the development of ancillaries used in ship building and import substitution. With ship building and ship repairs carried out by professionally run shipyards, both in the public and private sector, and with ancillary development taking place in a liberalised economy there is no case for the continuance of the SBR wing. Development activities relating to ship building and ship repair should be best left to the yards themselves who have a much better awareness and understanding of the technology advances in the sector than the ministry.

## **5. *National Ship Design and Research Centre***

26. NSDRDC was set up as a registered society under the administrative control of the ministry to provide support to the Indian ship building industry in the field of development, design and research, ocean/water transport economies, ship management and operation of vessels etc. NSRDC which has been receiving some marginal financial support from the government should be

encouraged to run on commercial lines and become totally self-sufficient. There is no need for the centre to remain under the administrative control of the ministry.

## **6. Light Houses**

27. Department of Lighthouses and Lightships in the Ministry of Shipping is headed by a Director General. The department provides aids to navigation in the harbours/coastal/oceanic phases of navigation to mariners sailing in Indian waters. The Indian coastline is divided into 6 districts/regions and each district is headed by a Director supported by technical and ministerial staff. The Department of Lighthouse earns light dues from ships entering or leaving Indian ports and the light dues collected in the last three years are as under;

(Rs. In crore)

1997-98	79.39
1998-99	78.48
1999-2000	71.17
2000-01 (Projection)	80.00

The question whether the establishment and operation of lighthouses and other navigational aids can be privatised with government or an independent regulator ensuring standard and quality should be examined.

## **7. Maritime Authority**

28. With ports eventually corporatised, conservancy functions in various ports, including minor ports, should be exercised by the government or an independent regulator; conservancy cannot be left to private port companies. A Maritime Authority should be set up to oversee and regulate conservancy functions in the major and minor ports and exercise all the functions of the DG,

Shipping and also of the DG Lighthouses. The merger of all the regulatory functions relating to maritime matters would help to bring about a focussed and coordinated approach to port and maritime safety. The Maritime Authority should have a member in charge of ports, a member in charge of shipping, a member in charge of lighthouses and a member, finance and be headed by one of them with the rank of an additional secretary. With the setting up of such a Maritime Authority, the Tariff Authority for Major Ports set up in 1997 to determine port tariff could be wound up and the Maritime Authority empowered to look into cartelisation/monopoly issues and arbitrary fixation of tariffs by ports/shipping lines whenever such practices or tariff orders are disputed by users or to fix tariff, where necessary. The creation of the Maritime Authority need not result in the creation of additional posts as it would be staffed by the merger of DG, Shipping, DG, Lighthouses and TAMP. The member in charge of ports and the supporting staff can be drawn from the ports. With the merger of all the regulatory functions pertaining to maritime matters it should be possible to avoid overlap and rationalise staff. The Maritime Authority can also be made to meet its costs through the levy of a conservancy cess on all ports and through fees for other services rendered by the Authority.

## **8. Inland Water Transport**

29. The Ministry of Shipping is responsible for the development of inland water transport in the country and in particular for the development of waterways declared as national waterways. The ministry also makes available assistance to the State Governments for developing inland waterways. The following waterways have so far been declared as national waterways: -

- Allahabad-Haldia stretch (1620 kms.) of the Ganga-Bharigathi-Hooghly river system in October 1986 as National Waterway No. 1 (NW-1).
- Sadiya-Dhubri stretch (891 kms.) of the Brahmaputra river in September, 1988 as National Waterway No.2 (NW-2).

- Kottapuram-Kollam Stretch (168 kms.) of the West Coast Canal along with Champakara Canal (23 kms.) and Udyogmandal Canal (14 kms.) in February, 1993 as National Waterway No.3 (NW-3).

30. Inland Waterways Authority of India was set up in 1986 under the Inland Waterways Authority of India Act for developing and regulating inland waterways for the purpose of shipping and navigation. The IWAI is headed by an officer in the rank of a Secretary to the Government and has an officer of the rank of an Additional Secretary as its Vice Chairman.

31. Of all modes of transport, inland water transport is the most fuel efficient, economical and environmental friendly mode. In other countries like USA, China, Netherlands, Germany etc. where IWT has been given due importance and encouragement, IWT has a substantial share in the inland transport network. In India, however, this sector has been neglected and today carries less than 1 per cent of the total inland freight as compared to 14 per cent in the USA, 46 per cent in Netherlands and 9 per cent in China. This is largely due to inadequate width and depth in the waterways and lack of infrastructure facilities like, cargo handling terminals, navigational aids and IWT fleet. The IWAI has now accorded priority to making national waterways No.1 navigable through the year by ensuring a least available depth (LAD) of two metres and by providing navigational aids and terminal facilities. On the other two waterways, conservancy works are being carried out and some progress is being made in the provision of navigational aids and terminals. However, the kind of importance that has been given to highway development through the Prime Minister's National Highway Programme has not been given to the development of national waterways and IWT. Annual funds are provided under the Plan on the basis of specific schemes approved and not on the basis of a programme for development of a corridor of national waterways. The financial power of the IWAI has been increased to Rs. 15 crore but IWAI has not been empowered like the NHAI to take up works as necessary to make national waterways fully navigable, and to strengthen cargo handling facilities within an overall project approval. In

the national waterways as in the case of the national highways, a corridor approach is necessary. An integrated approach has also not been put in place to integrate inland water transportation with the national highway network and the rail network and this has become all the more difficult with responsibilities for roads and inland water transport/coastal shipping being assigned to different ministries.

32. Given the fact that India has an inland water network of 14,500 kms. and a coast line of 6500 kms, coastal shipping and IWT would very considerably reduce the stress on the road and rail network. The government must accord the highest priority to the IWTs and formulate a National Waterway Development Programme on the lines of the NHDP and empower the IWAI by broadening its Board by including Secretary, Expenditure, Secretary, Planning, etc. to take all investment decisions relating to an approved waterway in order to make it navigable. The government has in January, 2001 announced an 'Inland Water Transport Policy'. The policy provides for a package of fiscal and financial incentives to attract private investment in the development and operation of national waterways. However, private investment will not flow into IWT sector unless the IWAI makes one corridor in a waterway navigable through the year, creates cargo handling facilities and demonstrates that cargo can be moved in the corridor in a time bound manner.

## **9. Coastal Shipping**

33. Coastal shipping in India is still not adequately exploited and has tremendous potential to grow. Coastal shipping has not developed in India largely due to the following reasons:

- Customs clearance requirements in the major ports.
- High berthing and cargo handling charges as for ocean going vessels.

- Lack of designated minor ports with adequate draft for handling coastal vessels.
- Lack of designated ports for coastal shipping with adequate connectivity to the hinterland and the road network.
- Lack of fiscal and financial incentives to make coastal shipping viable.

Although, some of these issues have been addressed, the focus of port and shipping policies in the future should be to remove all constraints on the growth of coastal shipping as this would very considerably ease the pressure on road and rail and reduce the investment requirements for surface transport.

## **10. General**

34. With the corporatisation of ports the setting up of a Maritime Authority to exercise the statutory powers of DG, Shipping and to ensure conservancy in ports and manage light houses, with the disinvestment of Shipping Corporation of India, the shipyards and other PSUs in the Ministry and with the abolition of the Development and the SBR Wings in the ministry, the Ministry's work would get reduced very considerably. The focus of the Ministry should be on policies to attract private investment in port development, to encourage coastal shipping and inland water transportation to encourage multi-modal transport, to facilitate the growth of inland shipping tonnage, and administer the laws assigned to the Ministry.

35. Thereafter, it should suffice for the ministry to have one Joint Secretary with two Deputy Secretaries to look after all port related matters and one Joint Secretary with one Deputy Secretary to look after residual shipping matters and inland water transport. Transchart should continue although its staff strength should be reviewed. With the reduction in the workload of the Ministry of Shipping and the Ministry of Road Transport and Highways the possibility of combining the two ministries once again into a Ministry of Surface Transport

should be considered so that an integrated approach can be brought to bear on all modes of surface transport, barring the railways.

36. Based on the discussion in the foregoing paragraphs, a statement showing the reduction in the number of posts at the level of Section Officer and above, is appended at Annex 7. The support level posts in the Ministry may also be reduced correspondingly after an intensive review of the revised workload.

## Summary of Recommendations

1. Introduction of VRS in all major ports and the decision to roll back the retirement age from 60 to 58, has helped reduce the staff strength by 16000 persons. However, the staff strength Indian ports is still very high and the schemes should be perused actively to bring down the strength to normative levels.
2. Government should consider setting up port companies to which all the commercial facilities like berths and cargo handling equipment could be leased out, with the Port Trust retaining only the ownership of the land and water fronts. These port companies should be privatised at the earliest, preferably through public offering.
3. The post of Development Advisor and the Development Wing in the Ministry could be abolished.
4. There is no rationale for retaining the Dredging Corporation of India (DCI) as a public sector undertaking and it should be privatised.
5. The Minor Ports Survey Organisation which is functioning under the Ministry should be corporatised or made to operate on commercial lines or attached to the Office of the Chief Hydrographer to the GOI.
6. The Andaman and Lakshadweep Harbour works should either be handed over to the concerned UT government or merged with the Calcutta/Chennai Port Trust and Cochin Port Trust.
7. Licensing of ship acquisition should be abolished and the Government should leave it to DG, Shipping to ensure the safety and sea worthiness of a ship.
8. The Indian Institute of Maritime Studies which is proposed to be set up under the Societies Registration Act, to run the four institutes, namely, (I) Training Ship Chanakaya, (II) Marine Engineering and Research Institute, Mumbai, (III) Marine Engineering and Research Institute, Calcutta and (IV) LBS College of Advance Maritime Study and

Research, Mumbai; should be given status of a deemed university or of an IIT and should become totally autonomous.

9. SCI is a candidate for disinvestment and the disinvestment should be completed.
10. Corporatisation of the operations of Transchart would result in a reduction in the staff strength. This exercise should be carried out in six months.
11. Efforts should be made to secure a strategic partner for HSL, which is a loss making company and disinvest GOI holding.
12. There is no strategic or commercial rationale for continuing CSL in the public sector. The company should be privatised as soon as possible.
13. HDPE has valuable land in Calcutta and it should be sold as real estate.
14. The ship building and repair activity of CIWTC should be closed and the assets disposed of.
15. With the ship building and ship repairs carried out by professionally run shipyards, both in the public and private sector, and with ancillary development taking place in a liberalised economy, there is no case for the continuance of the SBR Wing. Development activities relating to ship building and ship repair should be best left to the yards themselves who have a much better awareness and understanding of the technology advances in the sector than the ministry.
16. NSDRC need not remain under the administrative control of the ministry.
17. The matter whether the establishment and operation of lighthouses and other navigational aids can be privatised with government or an independent, regulator ensuring standard and quality, should be examined.
18. A Maritime Authority should be set up to oversee and regulate conservancy functions in the major and minor ports and exercise all the functions of the DG, Shipping and also of the DG, Lighthouses.

The Maritime Authority should have a member in charge of the ports, a member in charge of shipping, a member in charge of lighthouses and a member, finance and be headed by one of them with the rank of an additional secretary. Consequently, the tariff authority of major ports could be wound up and the maritime authority empowered to look into cartelisation/monopoly issues and arbitrary fixation of tariffs by ports/shipping lines where necessary. With the setting up of Maritime Authority, it should be sufficient for one J.S. level officer in the Ministry assisted by one or two Deputy Secretaries to look after port policy, international protocols and coastal shipping.

19. Government must accord the highest priority to the Inland Water Transport and formulate a National Waterways Development Programme on the lines of the NHDP and empower the IWAI by broadening its Board by including Secretary, Expenditure, Secretary, Planning etc. to take all investment decisions relating to an approved waterway in order to make it navigable.
20. With the corporatisation of ports the setting up of a Maritime Authority to exercise the statutory powers of DG, Shipping and to ensure conservancy in ports and manage light houses, with the disinvestment of Shipping Corporation of India, the shipyards and other PSUs in the Ministry and with the abolition of the Development and the SBR Wings in the ministry, the Ministry's work would get reduced very considerably.
21. It should be sufficient for the ministry to have on JS with two Deputy Secretaries to look after all port related matters and one Joint Secretary with one Deputy Secretary to look after residual shipping matters and inland water transport. Transchart should continue although its staff strength should be reviewed. With the reduction in the workload of the Ministry of Shipping and the Ministry of Road Transport and Highways the possibility of combining the two ministries once again into a Ministry of Surface Transport should be considered

so that an integrated approach can be brought to bear on all modes of surface transport, barring the railways.

**SUBJECTS ALLOCATED TO THE MINISTRY OF SHIPPING  
(POT PARIVAHAN MANTRALAYA)**

**I. The following subjects which fall within list 1 of the Seventh Schedule to the Constitution of India:**

1. Maritime shipping and navigation; provision of education and training, training for the mercantile marine.
2. Lighthouses and lightships.
3. Administration of the Indian Ports Act, 1908, (15 of 1908) and the Major Port Trusts Act, 1963 (38 of 1963) and ports declared as major ports.
4. Shipping and navigation including carriage of passengers and goods on inland waterways declared by Parliament by law to be national waterways as regards mechanically propelled vessels, the rule of the road on such waterways.
5. Ship-building and ship-repair industry.
6. Fishing vessels industry.
7. Floating craft industry.

**II. IN RESPECT OF THE UNION TERRITORIES:**

8. Inland waterways and traffic thereon.

**III. IN RESPECT OF THE UNION TERRITORIES OF THE ANDAMAN AND NICOBAR ISLANDS AND THE LAKSHADWEEP:**

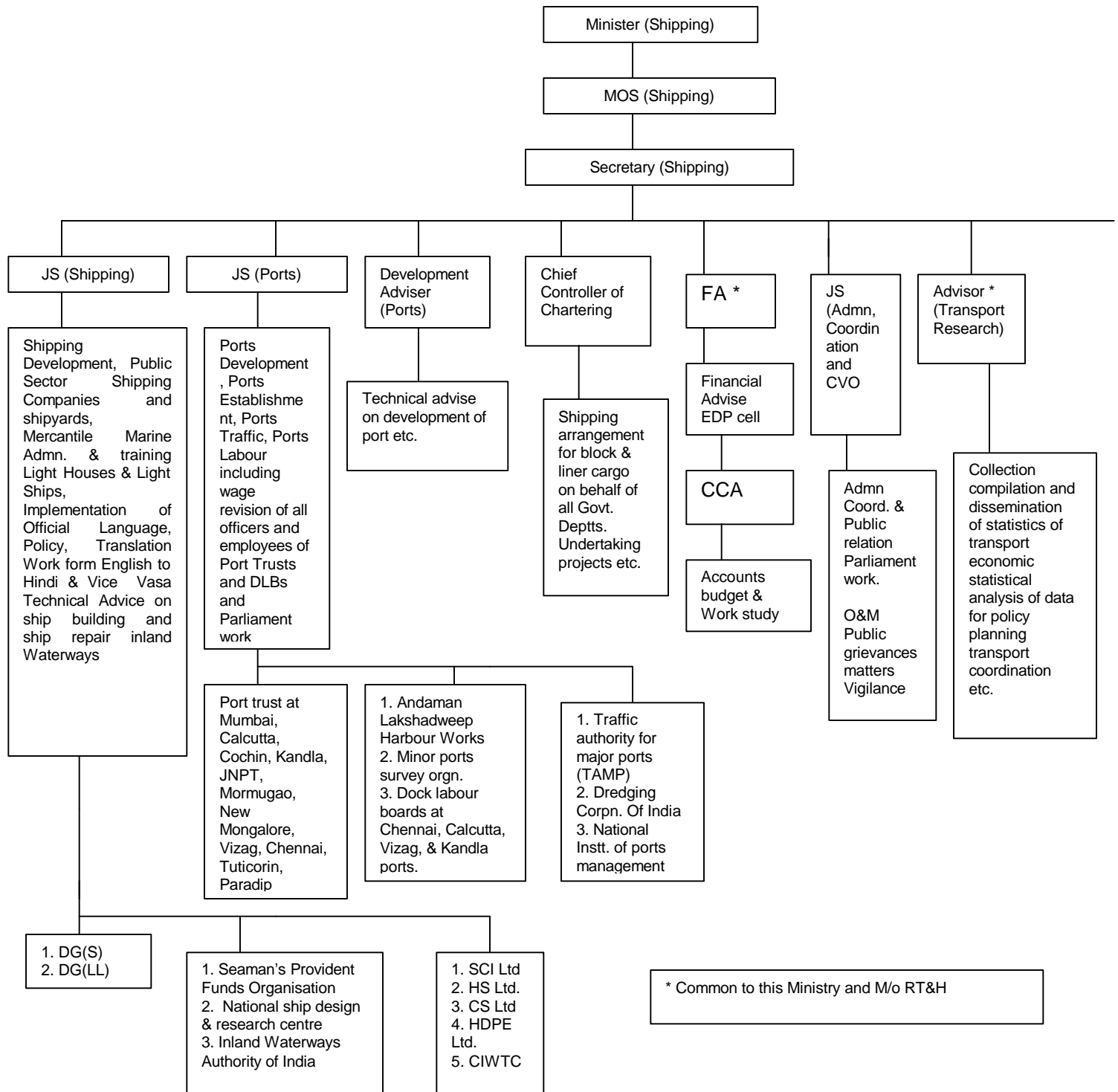
9. Organisation and maintenance of mainland-islands and inter-island shipping services.

**V. OTHER SUBJECTS WHICH HAVE NOT BEEN INCLUDED UNDER THE PREVIOUS PARTS**

10. Legislation relating to shipping and navigation on inland waterways as regards mechanically propelled vessels and the carriage of passengers and goods on inland waterways.

11. Promotion of Transport Cooperatives in the field of inland water transport.
12. Legislation relating to and coordination of the development of minor and major ports.
13. Administration of the Dock Workers (Regulation of Employment) Act, 1948 (9 of 1948) and the Schemes framed thereunder other than the Dock Workers (Safety, Health and Welfare) Scheme, 1961.
14. To make shipping arrangements for and on behalf of the Government of India/Public Sector Undertakings/State Governments/State Government Public Sector Undertakings and autonomous bodies in respect of import of cargo on FOB/FAS and export on C&F/CIF basis.
15. Formulation of the privatisation policy in the infrastructure areas of ports, shipping and inland waterways.
16. Development of Township of Gandhidham.

**MINISTRY OF SHIPPING (FUNCTIONAL)**



### Annex 3

#### Staff Strength of Ministry of Shipping

<b>Group A</b>	<b>Sanctioned posts – 51</b>				<b>Vacant posts – 6</b>	
	Secretary	1	A.C.O.	8	DA (Ports)	1
	DA (Ports)	1	US	10	A.C.O.	1
	Joint Secretary	2	PPS	1	EE(SBR)	1
	C.C.C.	1	EE(SBR)	1	DD(Civ./Mech)	3
	DS/Dir	6	Dy. Dir(Civ./Mech)	6		
	Dy.CC	1	DD (OL)	1		
	Sr. PPS	1	A.O.	2		
	Director(Civ./Mech)	4	Asst.Dir(SBR)	1		
	C.O.	4				
<b>Group B</b>	<b>Sanctioned posts – 112</b>				<b>Vacant posts – 1</b>	
	DO/SO	26	Chief D/Man	3	Asstt.	1
	JA	1	PS	9		
	TO	5	PA	24		
	AD(Civ./Mech)	2	Asstt.	41		
	AD(OL)	1				
<b>Group C</b>	<b>Sanctioned posts – 104</b>				<b>Vacant posts – 5</b>	
<b>Group D</b>	<b>Sanctioned posts – 62</b>				<b>Vacant posts – 1</b>	
<b>Total</b>	<b>Sanctioned posts – 329</b>				<b>Vacant posts – 13</b>	

## Annex 4

### Performance of major ports during 1999-00 and 2000-01

(million tonnes)

Port	POL		Coal		Iron Ore		Fertilisers & FRM		Containers		Other Cargo		Total		% Change
	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	
CDS	5.62	3.66	0.00	0.00	0.00	0.00	0.07	-	2.12	2.01	2.50	1.48	10.31	7.15	-30.6
HDC	10.86	10.55	6.51	7.66	0.00	0.26	0.47	0.66	0.43	0.79	2.45	2.89	20.71	22.81	10.1
Chennai	10.05	8.32	9.65	12.20	6.19	6.82	1.16	0.91	3.98	5.99	6.41	6.98	37.44	41.22	10
Cochin	9.95	9.67	0.16	0.18	0.00	0.00	0.41	0.48	1.25	1.79	1.03	1.00	12.80	13.12	2.5
JNP	1.41	1.80	0.00	0.00	0.13	0.02	0.79	0.39	10.68	14.28	1.96	2.08	14.97	18.57	24.0
Kandla	34.61	25.01	0.83	0.62	0.00	0.00	1.52	0.73	1.13	1.29	8.21	9.09	46.30	36.74	-20.6
MoPT	1.14	1.09	0.68	1.39	14.83	15.66	0.11	0.12	0.05	0.04	1.41	1.32	18.23	19.62	7.7
Mumbai	16.79	15.63	0.00	0.00	0.00	0.00	0.89	0.70	6.16	4.36	6.68	6.35	30.41	27.03	-11.1
NMPT	8.32	9.96	0.12	0.22	6.39	5.11	0.19	0.21	-	0.02	2.59	2.38	17.61	17.90	1.6
Paradip	2.22	2.22	7.45	9.90	1.03	2.99	0.64	2.65	-	-	2.30	2.16	13.64	19.90	45.9
Vizag	15.29	18.34	8.11	10.21	7.52	9.25	2.98	1.61	0.26	0.28	5.35	5.00	39.51	44.69	13.1
Tuticorin	0.46	0.40	3.58	5.60	0.00	0.00	0.87	0.75	1.63	1.57	3.45	3.97	9.99	12.29	13.0
<b>Total</b>	116.71	106.63	37.09	47.97	36.09	40.11	10.10	9.21	27.69	32.42	44.24	44.64	217.92	281.03	3.3

## FINANCIAL RESULTS

Rs. In crore

Port	Operating Income		Operating Expenditure		Fin & Misc. Income		Fin & Misc. Expenditure		Net Surplus		% Change
	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	
CPT	520 *	533*	619	707	50	43	212	260	-261	-391	-49.8
Ch PT	339	397	267	304	121	105	47	152	146	46	-68.5
CoPT	180	186	147	153	23	20	54	83	2	-30	-1600
JNPT	368	324	227	217	108	115	115	129	134	93	-30.6
KPT	225	175	126	116	144	145	29	41	214	163	-23.8

<b>MoPT</b>	<b>134</b>	<b>161</b>	<b>104</b>	<b>137</b>	<b>26</b>	<b>50</b>	<b>33</b>	<b>53</b>	<b>23</b>	<b>21</b>	<b>-8.7</b>
<b>MbPT</b>	<b>533</b>	<b>500</b>	<b>423</b>	<b>567</b>	<b>101</b>	<b>74</b>	<b>128</b>	<b>496</b>	<b>83</b>	<b>-489</b>	<b>-689.2</b>
<b>NMPT</b>	<b>171</b>	<b>173</b>	<b>95</b>	<b>110</b>	<b>15</b>	<b>13</b>	<b>36</b>	<b>36</b>	<b>55</b>	<b>40</b>	<b>-27.3</b>
<b>PPT</b>	<b>184</b>	<b>243</b>	<b>123</b>	<b>139</b>	<b>21</b>	<b>11</b>	<b>35</b>	<b>40</b>	<b>47</b>	<b>75</b>	<b>59.6</b>
<b>VPT</b>	<b>308</b>	<b>340</b>	<b>201</b>	<b>250</b>	<b>71</b>	<b>50</b>	<b>146</b>	<b>110</b>	<b>32</b>	<b>30</b>	<b>-6.3</b>
<b>TPT</b>	<b>90</b>	<b>111</b>	<b>52</b>	<b>58</b>	<b>12</b>	<b>14</b>	<b>13</b>	<b>32</b>	<b>37</b>	<b>35</b>	<b>-5.4</b>
<b>Total</b>	<b>3052</b>	<b>3143</b>	<b>2384</b>	<b>2758</b>	<b>692</b>	<b>640</b>	<b>848</b>	<b>1432</b>	<b>512</b>	<b>-407</b>	<b>-179.5</b>

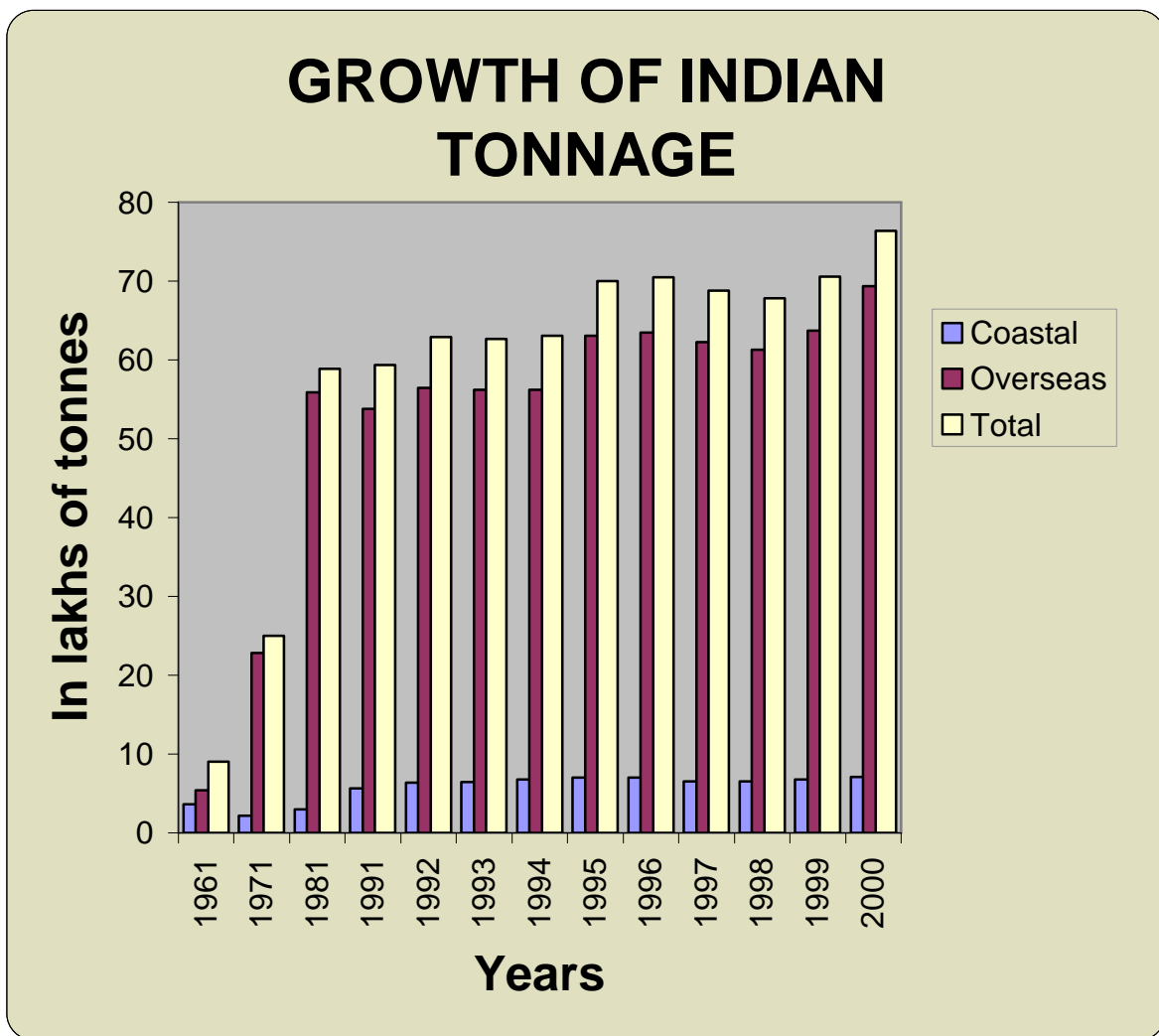
\* The amount of dredging subsidy not included.

## Annex 5

### Performance of DCI for the last five years

(Unless otherwise indicated, figures are in Rupees Million)

	1996-97	1997-98	1998-99	1999-00	2000-01
1. Invested Capital					
a. Paid up capital	280.00	280.00	280.00	280.00	280.00
b. Long Term borrowing	1420.00	1233.40	1508.30	1155.40	2269.00
2. Capital Employed					
a. Net Block	1265.30	1083.30	966.60	1592.90	3178.80
b. Working Capital	2370.20	2510.70	2528.70	2124.30	2068.70
Total	3635.50	3594.00	3495.30	3717.20	5247.50
3. Turnover	2426.70	2481.90	2562.30	3415.30	4352.30
4. No. of Employees					
a. Floating	785	757	710	678	640
b. Shore	541	536	542	541	416
c. Total	1329	1293	1252	1219	1056
5. Value added per employee	1.52	1.64	1.77	2.40	2.51
6. No. of Dredgers					
a. Trailer Dredgers	7	7	7	8	9
b. Cutter Dredgers	2	2	2	2	2
c. Inland Dredgers	3	3	3	3*	-
7. Classification				Mini Ratna	Mini Ratna
8. Capacity Utilisation (%)	98	98	100	97	101
9. MOU Rating	Excellent	Excellent	Excellent	Excellent	Excellent (anticipated)
10. Share Price					
Highest (Rs)		102	126	270	126
Lowest (Rs)		2	54	63	57
11. EPS (Rs)	12.17	15.12	14.94	25.95	39.41
12. Dividend (%)	25	33	33	50	



## Annex 7

Sl. No.	Name of the Post	Sanctioned Posts	Posts to be retained	Posts to be abolished
1	Secretary	1	-	1
2	D.A.(Ports)	1	-	1
3	Joint Secretary	2	2	-
4	C.C.C.	1	1	-
5	DS/Director	6	4	2
6	Dy. CC	1	1	-
7	Sr. PPS	1	-	1
8	Dir (Civil/Mech)	4	-	4
9	C.O.	4	4*	-
10	A.C.O.	8	8*	-
11	U.S.	10	6	4
12	PPS	1	1	-
13	E.E. (SBR)	1	-	1
14	Dy. Dir (Civil/Mech.)	6	-	6
15	Dy.Dir (OL)	1	1	-
16	Accounts Officer	2	1	1
17	Asstt. Dir. (SBR)	1	-	1
18	Jr. Analyst	1	-	1
19	T.O.	5	5	-
20	SO/DO	26	14	12
21	Asstt Dir. (Civil/Mech.)	2	-	2
22	Asstt.Dir. (OL)	1	-	1
23	Chief D/Man	3	-	3
<b>Total</b>		<b>89</b>	<b>48</b>	<b>41</b>

\* *Two posts of CO and 4 posts of ACO could be abolished when chartering is fully computerised.*