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WORLD MARITIME UNIVERSITY
Malmö, Sweden

**ANALYSIS OF THE MERITS OF APPLICATION OF THE PRINCIPLES OF
NEW PUBLIC MANAGEMENT IN THE RESTRUCTURING OF THE
MARITIME ADMINISTRATIONS OF DEVELOPING COUNTRIES**

By

Sanjay Vikram Singh

India

A dissertation submitted to the World Maritime University in partial fulfilment of the
requirements for the award of the degree of

MASTER OF SCIENCE

in

MARITIME AFFAIRS
(Maritime Administration)

2001

DECLARATION

I certify that all the material in this dissertation that is not my own work has been identified, and that no material is included for which a degree has previously been conferred on me.

The contents of this dissertation reflect my own personal views, and are not necessarily endorsed by the University.

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ABSTRACT

Title of Dissertation: **Analysis of the merits of application of the principles of NPM in the restructuring of the maritime administration of developing countries.**

Degree: **MSc**

The need for improvement in maritime administration as a key measure to support the shipping industry is recognised by all. As a significant percentage of the tonnage of world shipping is with the developing countries, the issue of improving maritime administration in these countries needs special attention.

There have been efforts by developing countries to improve their administrations. However, because of limited resources and limitations in the capability of the governments themselves in these countries, progress in this direction has been slow.

During the last two decades significant reforms have taken place in industrialised countries in response to the dissatisfaction of the public about the way their governments and agencies have been functioning and delivering public services. These reforms have had positive results. Their goal has been to introduce the principles of market economics and private sector management practice to the functioning of government so as to redirect its focus to results, efficiency and effectiveness in the delivery of services provided by the public sector. This philosophy has loosely been termed 'New Public Management'.

Keeping in mind the resource and capability limitations of governments and public sector in developing countries, this dissertation has attempted to examine the feasibility of applying New Public Management principles in improving their maritime administrations. A case study of India has also been included.

The dissertation concludes that, there are differences in the circumstances of the industrialised and developing countries. However, considering the fact that New Public Management addresses those very issues for which developing countries are seeking solutions, there is a case for application of NPM in improving the maritime administrations of developing countries. Application of NPM will improve the delivery of maritime services and in so doing help the shipping industry.

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LIST OF ABBREVIATIONS

AMSA	Australian Maritime and Security Agency
CEO	Chief Executive Officer
CSU	Civil Search and Rescue Units
DGS	Directorate General Shipping
DGLL	Directorate General Lightships & Lighthouses
DOT	Department of Transport
GDP	Gross Domestic Product
GRT	Gross Registered Tonnage
HRD	Human Resource Development
IMO	International Maritime Organisation
MARAD	Maritime Administration
MCA	Maritime and Coast Guard Agency
MOU	Memorandum of Understanding
NPM	New Public Management
OECD	Organisation for Economic Co-operation and Development
SAMSA	South African Maritime Safety Administration
SAR	Search and Rescue
SCI	Shipping Corporation of India
SWOT	Strengths, Weaknesses, Opportunities, Threats
UNCTAD	United Nations Conference on Trade and Development
VTS	Vessel Traffic System

WTO

World Trade Organisation

Chapter I

Outlining the Issues

1.1 Introduction:

With increasing globalisation, and the industrialisation of developing countries, international trade is likely to grow in absolute terms. The Shipping industry, which carries 90 percent of this trade in volume terms, is, therefore, very important for world trade and the countries who participate in it. As the maritime administration of a country plays an important role in maritime activities, and facilitates dovetailing with international trade, leading to better availability of goods and services, it has to be efficient, effective, and economical. This is all the more true of developing countries who are in the process of integrating with the world economy. As shipping is important for the economies of these countries they should be able to provide industry-friendly service conducive to the growth of the shipping industry and development of trade.

Maritime administrations must, therefore, be structured to function effectively and efficiently. At issue is what form should this structure take. The last two decades have witnessed significant changes in the administrations of various OECD countries. These changes were considered necessary to address growing dissatisfaction with the way governments and its organisations were functioning. There was a general feeling that governments were not performing well; there was inefficiency all around, they were delivering less, and taxes were increasing as a result of inefficiency in managing affairs. Although change is a common experience in the public sector, the reform activity during the 1980s and 1990s has been extraordinary, not only in the number of reform initiatives but also in the fundamental nature of the changes taking place (Peters 1999).

The package of reforms introduced, beginning with the UK, New Zealand, Australia, the US and some other OECD countries, has included the application of ideas from private sector management and economics to improve the efficiency of governments. Different sets of ideas have been applied in different countries to address their specific problems. The package of initiatives adopted by these countries has broadly come to be labelled as ‘**New Public Management**’ (NPM). These are essentially general management principles reflecting a more flexible, decentralised, transparent, results oriented, client sensitive management style applicable across the board to any activity being performed by the public sector in various countries in managing their affairs more efficiently. It is widely believed that the reforms undertaken by these countries have helped them in improving performance of their public sector, including maritime administration.

A look at the NPM philosophy reveals general agreement that key components include: reduction in the size of government, redefining the role of the State as a catalyst and a facilitator rather than doer, distinguishing between policy (steering) and operations (rowing), taking a more proactive role in revenue generation rather than just expenditure, deregulation of line management, conversion of civil service departments into free standing agencies or enterprises, performance based accountability, particularly through contracts; and competitive mechanisms such as contracting out and internal markets, elimination of impediments to efficient management, focus on client involvement and satisfaction, focus on outcome / results rather than processes, increased emphasis on entrepreneurship and market mechanisms and involvement, and privatisation of public sector units not performing well (Polidano,1999).

1.2 The purpose of this dissertation:

The purpose of this dissertation is to examine the seminal ideas of the philosophy loosely labelled as NPM, including the background to its development and what is

meant by it, to examine arguments for and against its adoption, and the degree to which certain developed countries have adopted the philosophy of NPM both generally and with specific reference to maritime administration. The dissertation also attempts to assess the degree to which the adoption of NPM by industrialised countries has been a success, and examines the circumstances which made its adoption possible in industrialised countries, and goes on to assess the degree to which these circumstances exist in the developing countries. The merit of the application of NPM to developing countries' maritime administrations and the form such application should take has also been assessed. **The emphasis of this dissertation is on the organisational/structural aspects of improving the efficiency of maritime administration rather than on the policies and activities specific to the shipping industry.**

A case study of India has been made. India has been chosen because the country has the necessary expertise in maritime affairs but, because of serious organisational bottlenecks and lack of professionalism, it does not presently figure in the list of countries known for the efficiency of their maritime administration.

1.3 The need for reforms:

Upgrading or improvement of maritime administrations is a priority for both developed and developing countries. Because of their higher stage of development, with stronger economies and availability of better infrastructure and resources, OECD countries are in a better position to address issues relating to improvements in their administrations. The developing countries' administrations are generally identified with inefficiencies normally associated with the stage of their economic development, and because of various limitations, efforts towards upgrading their administrations have not been very encouraging. Most maritime administrations of developing countries are found to be saddled with archaic laws, outdated institutions and obsolete and traditional bureaucratic philosophy.

One reason for this has been the failure of the political and administrative infrastructure that was adopted following independence to bring about progress to the extent expected. Another has been the inability of the leadership and administration to bring about changes in the political, economic and administrative institutions to enable these countries to usher in rapid socio-economic development. There have been success stories here and there, e.g. Singapore, and lately the so called 'tiger' economies but by and large the state of development of the public administrations of most Afro-Asian and Latin American countries leaves much to be desired. All this has been exacerbated by the chronic resource crunch which has severely limited the capacity of these states to initiate major improvements in public administration including maritime administration.

As maritime administration is a part of the overall public sector of these countries, it exhibits all the maladies confronting the general public sector administration. With an appreciable tonnage of the world shipping registered in developing countries, particularly the open registries, the need for upgrading of the maritime administrations in these countries cannot be over-emphasised.

Realising the importance of improvement in the maritime administrations of developing countries, IMO has been focusing on providing assistance in specific areas of maritime safety and protection of the marine environment through its Technical Co-operation programme. The emphasis of this programme is on strengthening maritime administrations to enable these countries to discharge their responsibilities for implementation of IMO conventions and for flag and port state control more efficiently.

It could be argued that the efforts of the IMO would be more successful if they were supplemented by the efforts of developing countries to upgrade and restructure their maritime administrations on professional and commercial lines as has been done in

many OECD countries, but, at the same time ensuring that reforms are suitable and appropriate for them. Needless to say, if maritime administrations are more efficient and managed more professionally, they will provide the right kind of background for the smooth development and implementation of maritime policies and international conventions, and will foster the growth of international shipping in addition to bringing immediate benefits to the shipping industries of these countries.

As indicated earlier, a number of industrialised countries have taken initiatives to tackle the problems faced by their administrations and have achieved some success by adopting the principles of NPM. The philosophy of NPM emerged essentially as a reaction to the dissatisfaction with the way governments were functioning in the late seventies and early eighties in industrialised countries. They spent more and delivered less and raised taxes and cut services. What people wanted was a government which functioned more as a facilitator, and could galvanise and channel the potential of the community into nation building. The philosophy of NPM was, therefore, a kind of revolt against bureaucratic malaise and posited that the system of governance could be improved appreciably. It argued that government could function as efficiently as the best run businesses while still caring for its citizens. The whole philosophy has been persuasively presented in the book 'Reinventing Government' by David Osborne and Ted Gaebler.

In the past two decades there has been an unprecedented wave of reforms as the traditional model of public administration has come under attack. As mentioned earlier, these reforms originated in developed industrial economies, whose political leaders were under pressure to keep down the levels of public taxation and expenditure, while maintaining high levels of welfare and other public services. A significant feature of the reforms was the belief that the state had become too large and over-committed, and that the market offered a superior mechanism for achieving the efficient supply of goods and services (World Bank, 1997).

As the reform movement spread through the globalisation process, practitioners of public administration were faced with a choice between 'old' public administration and the 'New Public Management'. While the seminal ideas of the NPM are described in the second chapter, it is sufficient to mention here that it began in the UK, and countries such as the US, Canada, New Zealand and Australia followed. Experiments with the introduction of the NPM principles ushered in a new era of governance. This was reflected in the policies during Margaret Thatcher and subsequent administrations in the UK, President Reagan and later administrations in the US and the Government of Kennett in the Australian state of Victoria. While a more developed version of NPM principles was applied in New Zealand, Canada has adopted a significantly more cautious approach. Peters has described the New Zealand experience as revolutionary. Even successful countries such as Japan have engaged in large scale reforms as a means of keeping pace with other countries (Peters, 1999).

It is too early to comment on the success or failure of these experiments. *Prima facie*, it appears that the reforms have had a positive impact on efficiency and costs. Many studies in the UK and in New Zealand have reported efficiency gains, and reductions in over-all cost of the service being provided with introduction of competition. There have, however, been cases where costs to users have gone up significantly as a result of providing the service on a cost recovery basis. While downsizing has resulted in some unemployment in the short run, on balance, the reforms in these countries have had a positive impact. The economies of the countries which have taken the lead in implementing reforms such as those of the UK, New Zealand, Australia and the US are doing better than before. Similarly maritime administrations in these countries are leaner, but more efficient and effective.

The success of the model in industrialised countries, however, is no guarantee that it will also be successful in the developing countries because of the peculiar socio-economic conditions. However, considering that the socialistic model involving State

intervention has been nearly repudiated all over the world except in North Korea, and that there has been considerable dissatisfaction with the old bureaucratic model of governance giving rise to the NPM philosophy, there is reason to believe that a judicious application of these principles for bringing about improvement in maritime administrations of developing countries should have positive results.

A number of initiatives in the direction of upgrading and restructuring have already been adopted in many developing countries in their efforts to find a solution to the problems they face. What is needed is to ensure that they are suitably improvised, and dovetailed with the needs and indigenous ethos of these countries. Administrative reforms superimposed, without ensuring acceptance by local traditions and systems, will meet the same fate as the administrative systems that were thrust upon these countries by the colonial administrations and which remain a principal reason for the underdevelopment in these countries.

What follows in the subsequent chapters is (1) an enquiry into the background, origin, salient features and criticisms of new public management, (2) an examination of certain maritime administrations of OECD countries and the extent to which NPM principles have been applied, (3) an assessment of the circumstances and preconditions considered necessary for successful application of NPM in developing countries, including an analysis of the shortcomings of the maritime administrations of these countries and an assessment as to whether judicious implementation of new management principles can improve their respective maritime administrations (4) a case study of India, and (5) some conclusions and recommendations as to whether, and if so how, developing countries should adopt the NPM philosophy.

Chapter II

New Public Management – Background, Origin, Salient Features and Criticism

2.1 Background

In response to inadequacies of the traditional model of administration, the last two decades have seen the emergence of a new philosophy of administration. This has been described by various names by various authors, including 'managerialism' (Pollitt, 1990), 'the New Public Management' (Hood, 1991), 'market based public administration' (Lan and Rosenbloom, 1992) 'the post bureaucratic paradigm'(Barzele, 1992); or 'entrepreneurial government' (Osborne and Gaebler, 1992).

The seminal ideas contained in the writings of these authors, which represent a major shift from traditional public administration, are (a) far greater attention paid to the achievement of results and the personal responsibilities of managers (b) departure from the rigid classic bureaucracy so as to make organisation, personnel and employment terms and conditions more flexible (c) measurement of achievement through performance indicators by setting up clear organisational and personnel objectives and a more systematic evaluation of programmes on the basis of economy, efficiency and effectiveness (d) closer identification by senior civil servants with the goals/objectives of the government in power (e) subjecting government functions to market tests such as contracting out and (f) reducing government functions through privatisation or other forms of market testing and contracting.

According to Minogue (2000) the conception of the activist bureaucratic state, in reaction to which New Public Management grew, is essentially a twentieth century phenomenon. The characteristics of this bureaucratic state were set out most clearly by German sociologist Max Weber in the 1920s with strong echoes of earlier writings

by Woodrow Wilson. These characteristics include (i) a clear separation between politics and administration, and therefore a separate and distinct role for political leaders and state officials, (ii) the continuous and predictable nature of administration, operating on the basis of written unambiguous rules, (iii) recruitment of administrators on the basis of qualifications and training (iv) a functional division of labour, and a hierarchical arrangement of tasks and people in the organisation (v) the assignment of resources to the organisation, rather than to the individuals working in the organisation (vi) a sense of duty or public interest as the principal motivation which should override organisational or private interests.

Further refinements to the traditional model of public administration came through the application of the private sector-based ideas of 'scientific management' which introduced efficient operational methods based on standardisation of tasks, 'one best way' of fitting workers to tasks, and systematic control of tasks, processes and workers. These principles were easily adapted to bureaucratic structures. A further addition to the traditional model was the application of the insights of social psychology to the traditional model. This 'human relations' approach is often contrasted with the scientific management approach, but in practice also sought to achieve greater efficiency of performance, by paying attention to the need to motivate workers rather than merely controlling and directing them.

This enhanced bureaucratic model for a large scale organisation was held to be both rational and superior to other possible alternatives. Historical developments in the twentieth century confirmed the growth and power of state organisations resting on these principles, with the result that state organisations looked much the same across different types of political regime or economic system. Two world wars and the great inter-war depression, meant that all governments had to plan and co-ordinate the use of national resources, especially in the management of economics. This led to the expansion of state responsibility and came to include provision of welfare measures in the post-1945 period. The State providing welfare measures came to be

known as the welfare state. Finally this period also saw the dismantling of the old colonial empires, and the emergence of new but poor states committed to the economic and social improvements of their societies, the 'developmental' State.

The most important assumption underlying this 'activist' model of the State was that state intervention was needed to make good the deficiencies and weaknesses of the private market and control its excesses. Levels of state control and intervention varied in practice along a broad spectrum, with total state ownership and allocation of economic and social resources at one end, to mixed provision by the State and the market at the other. At any point on the spectrum, strong state bureaucracies played a crucial role (Minogue, 2000).

The traditional system of administration persisted for decades and on the whole was extremely successful. What, then, happened to cause the large scale rethinking of governance which occurred during 1980s and 1990s?

2.2 Shortcomings of the traditional model:

The critique of the traditional model is based on a comparison of the ideal model of bureaucracy with what happens in reality. Minogue (2000) identified the following differences. (i) absence of clear separation in many systems between policy and administration, either in terms of decision-making processes or the respective roles of administrators and politicians, which are often fused together, (ii) the decision-making process does not, in any case, conform to the rules of technical and economic rationality, but is affected and shaped by processes of conflict, negotiation and exchange between interests both internal and external to the state bureaucracy, (iii) hierarchy and centralisation combine with a formal, and sometimes slavish, adherence to rules and procedures to produce defects, or what has been described by Minogue (2000) as bureaucratic pathologies, such as delay, inflexibility, unresponsiveness, and an arrogant disregard for the interest and concerns of the

citizen, (iv) bureaucracies are characterised, therefore, by a process of 'top down' implementation which frequently produces inappropriate policies and inadequate results, (v) the range of transactions within the modern system of state administration, both internally and with external organisations and interests, is so extensive that this produces a degree of complexity much greater than the model had originally anticipated.

While the 'welfare' or the 'developmental' State was justified by the need to correct market failure, the prevalence of the deviations from the original produced critical responses. These can be summarised as (i) the unresponsive but invasive State, whose excessive interventions restricted people's freedom to manage their own affairs, and created dependency rather than self-reliance; (ii) the over-extended State where the government had taken on too many responsibilities, and was unable to carry these out either efficiently or effectively; and (iii) the private interest State, where elite and privileged groups exploited the opportunities offered by state activities to enhance their own interests and incomes.

It was this combination of criticism of the inefficiency of the traditional bureaucratic model of administration and the flawed nature of activist government which gave birth to the reform model designated by various nomenclatures but mainly as the 'New Public Management'. This reform model is driven by the assumption that large state bureaucracies are inherently defective and wasteful, and that the market is better equipped than the State to provide most goods and services. The radical changes needed to introduce a transformed and entrepreneurial model of public management would have to be established by (i) improving efficiency and obtaining 'value for money' through performance management and auditing, (ii) restructuring and reducing the public sector, particularly through privatisation (iii) reorganising and slimming down central civil services, (iii) avoiding monopolies by introducing competition into remaining public services, especially through internal markets and

the contracting of public services' provision to the private sector wherever possible (Hughes, 1998).

The claim of this model is to transform the traditional public administration into a new species of public management characterised by separation of strategic policy from operational management, a concern with results rather than processes and procedures, an orientation to the needs of the citizens rather than the interests of the organisation or bureaucrats, a withdrawal from direct service provision in favour of a 'steering' or enabling role and a changed, more entrepreneurial management culture.

2.3 The beginning of NPM:

By the 1970s the governments in OECD countries were beginning to realise that the traditional system of administration failed to provide an effective form of management of their public services when compared to the private sector. One starting point is the 1968 Fulton Report in the United Kingdom. This report highlighted concerns with the management capability of the public service and recommended that the system be opened up. It also proposed that outsiders be employed at all levels and that rigid hierarchical structures, in which barriers were placed at various points, be removed. Fulton could be described as a start, rather than a thorough attempt to infuse management principles into an administrative system. No government had much enthusiasm for Fulton recommendations until the Thatcher administration. In the US also there was a demand for improved management in the public sector from the Carter administration onwards (Hughes, 1998).

There were several reasons for the growing disappointment with the skills and capabilities of traditional public administration. The main reason was that it simply did not work any more, and was widely perceived as not working. Governments were faced with declining real revenue, but had to deal with political demands to maintain services at the same levels. Starting in the late 1970s, governments experienced

severe resource constraints as tax revenues declined in a relative sense. Practical politics dictated that no cuts be made in the actual service delivery to the public. In these circumstances the only way out was to improve productivity. Secondly, the 1980s saw new governments elected in the UK, Canada and New Zealand, which had new ideas as to how best to manage public services. Thirdly there was also recognised to be a clear link between improving public sector management and restructuring the national economy. Finally the general unpopularity of the public sector as a result of its inefficiency made political leadership realise that there were few political costs in making major changes. In the UK and New Zealand particularly, the public services had lost public support to such an extent that government found little resistance to change which would have once been regarded as destroying the very notion of a public service.

The reform changes have been almost universal (Peters, 1999). The direction of change has been the same wherever reforms have been implemented. The primary focus of these reforms, for both organisations and individuals, has been to achieve results and to take responsibility for them.

2.4 New Public Management:

The new public management concept constitutes essentially a replacement of the traditional model of public administration. Instead of being limited to reforms to the public sector, it represents a fundamental transformation of the public sector and its relationship with the government and society. The promoters of the new public management claim that it represents a change of paradigm. They announce that the bureaucratic paradigm is dead and that we are witnessing the birth of the post-bureaucratic paradigm (Osborne and Gaebler, 1992). Sanford Borins presents the new public management movement as a normative reconceptualization of public administration in which concepts such as high quality services, increased autonomy,

performance measurement, informal coordination and innovation bring a totally new blending of approaches to public management (Borins,1995).

There are several conceptions of what is involved in new public management. Instead of regulating administrative action by rules and hierarchical authority, most OECD countries now follow two broad avenues to improve production and delivery of publicly provided goods and services (OECD, 1991). The first is to raise the production performance of public organisations. Initiatives include improving the management of human resources including staff development, recruitment of qualified talent and pay for performance, involving staff more in decision-making and management, relaxing administrative controls while imposing strict performance targets, using information technology, improving feedback from clients, stressing service quality; and bringing supply and demand decisions together.

The second avenue is to make greater use of the private sector to promote a dependable, efficient, competitive and open public service system. Initiatives include contracting out production of publicly provided goods and services, contracting in intermediate goods and services; and doing away with monopoly or other protection for suppliers. In addition changes are being implemented to improve the quality of policy making. Greater transparency and consistency should improve the performance of the public sector ensuring greater accountability to decision makers, and eventually the public.

According to Hood (1991) new public management comprises seven points. These are: (i) hands-on professional management in the public sector, (ii) explicit standards and measures of performance, (iii) emphasis on output controls, (iv) a shift to disaggregation of units in the public sector, (v) a shift to greater competition in the public sector, (vi) a stress on a more private sector style of management practice and (vii) a stress on greater discipline and parsimony.

2.5 Important changes:

A perusal of the governing practices being followed in OECD countries indicates some noteworthy changes. Governments now want to know what public organisations do, how well they do it and who is assigned responsibility for results. The primary way of doing this is to 'let the managers manage'. The reforms involve devolution of more managerial powers to departments, which means greater authority for departmental heads. At the next level of senior management, there has been a consistent trend away from position classification towards flexibility in arrangements for filling senior positions. The device of the Senior Executive Service has become commonplace since the late seventies in the US. Greater emphasis is now placed on policy advising, general management, and professional skills, rather than experience gained from specific duties. The aim is to improve over-all efficiency by improving the service's management capability. Another change in senior management is the move away from specialist heads, such as engineers or doctors in the various health departments, to managerial heads of agencies. Management is seen more as a function requiring its own skills rather than something which specialists can simply pick up. At all levels, personnel changes have improved flexibility. It is now easier to re-deploy staff, and inefficient staff can now be dismissed more easily, albeit with protection against arbitrary or politically motivated dismissal. (Hughes, 1998)

The main change is for the organisation to focus on outputs or outcomes, instead of inputs. Managerial reforms have stressed performance by individuals and by agencies. Agencies are expected to develop performance indicators as a way of measuring the progress the organisation has made towards achieving the declared objectives. Performance of staff is also to be measured more systematically than before. The general aim is to monitor and improve the progress of staff and agencies towards achieving objectives.

The most important change in this area has been the introduction of performance and programme budgeting systems to replace the old line-item budget. A programme budget allocates money according to the specific programme of the agency with all costs identified with programmes, sub-programmes and even lower levels. Instead of staffing being determined by a separate independent central agency for personnel, it becomes a part of the programme budget. While the line-item system of budgeting was precise in a control sense, in practice, governments had little information on actual programme delivery (Hughes, 1999).

Borrowing ideas from the private sector, governments have also been aiming to develop better methods of long-term planning and strategic management - deciding what is the organisation's mission, looking ahead to the achievement of goals and objectives and evaluating how the organisation should handle its strengths, weaknesses, opportunities and threats in the environment. Application of these techniques offer better utilisation of resources, by tying outcomes to resources, especially when combined with programme budgeting. Only by knowing what government organisations do, what they aim to do in the future and how they have progressed towards declared objectives, can the leadership decide which programmes, or even which agencies or departments, are worth retaining.

There is a shift towards disaggregation. It involves splitting large departments into different elements by setting up agencies to deliver services for a small policy department. This started with UK's 'Next Steps' initiative during the Thatcher regime in 1988. Under this initiative separate agencies were set up and made responsible for delivery of services on a quasi-contractual basis with the relevant policy department. A specific aim was to reduce the number of staff in the core civil service to a small group engaged in the functions of advising ministers and managing departments, but not in delivering services. By 1994 some 60 percent of UK civil servants were working in 'Next Steps' agencies (Minogue, 2000). New Zealand followed a similar path. Other countries like Australia, Canada and US were slower

in adopting this change. Canada's 'agency' initiatives have been quite modest with its 'Special Operating Agency' (SOA) concept and only a handful of legislated agencies. It has been more ambitious in the privatisation field with initiatives in railways and airline companies, and a first in air traffic control. An important initiative in the maritime field has been the privatising of the St. Lawrence Seaway.

There is a shift towards greater competition. Competition is introduced for government services with the idea of cutting costs. It is argued by proponents that if services are contestable they should be put out to tender. Widespread privatisation is part of this, but is not the only means of reducing governmental scope. Once competition is introduced, a number of other changes follow such as market-testing services and then cutting them altogether.

Emphasis on a private sector style of management is encouraged. This includes staffing changes designed to better fit staff to their positions, to appraise their performance, and to reward them accordingly with merit pay. The emphasis on performance also leads to short term appointments by contract and being able to terminate staff who are not performing. It is now not unusual in countries having embraced new public management to hire staff on contracts particularly at the highest level.

New public management requires increased focus on the best possible use of resources while placing emphasis on discipline and parsimony in resource use. This includes reduction in staffing, cutting costs, and, also involves directing resources to emphasise those programmes which contribute most to the attainment of strategic objectives.

The traditional model of administration was criticised for its inadequate conception of the relationship between bureaucracy and the political leadership. The relationship with political leadership was narrow and technical, of master and servant, of those

giving the orders and those carrying them out. Under the new public management model the relationship between politician and manager is more fluid and is closer than before. The traditional model tried to depoliticise what was essentially political. New public management recognises the essential political character of government; public servants work with politicians in an interactive process called management. In addition, there is recognition of the need for direct accountability between managers and the public, as a result of increased demand for a client focus and for greater responsiveness to outside groups and individuals.

2.6 Theoretical bases of new public management:

Traditional public administration was mainly based on two theories, the theory of bureaucracy and the theory of separation between politicians and administrators. The new public management also has two theoretical bases, these are economics and private management. Compared with the theories of public administration, economics offers precision, prediction and empiricism, backed by a motivational theory of how people act. Economics also has direct relevance to governing.

Public management has also been influenced by theories and practices of private management. There are several managerial changes with antecedents in the private sector. There is greater flexibility in tailoring the organisation to circumstance, instead of necessarily following a rigid Weberian model. As indicated earlier, the greater attention now paid to strategic planning and management in the public sector also derives from the private sector. Private sector personnel practices have been adopted to some degree, including the greater use of incentives and disincentives throughout the organisation, such as paying more for good performance or less for poor performance, or terminating staff relatively easily. Perhaps the most important point borrowed from the private sector is the focus on objectives. The traditional model of administration was criticised for its focus on structure and process rather than results. A change to results as the primary aim, with everything else secondary,

and with an emphasis on commercialism, wherever applicable, is a major contribution of the theory and practice of private management. The movement in the private sector towards flexibility is now being emulated by the public sector as well (Hughes, 1998).

2.7 NPM in practice:

British public sector reforms in the last two decades represent the earliest and most comprehensive attempt to realise this new public management model. There was significant restructuring in important utilities in the UK after 1979 under Margaret Thatcher as people were sick of the non performance of the public sector and rising taxes to keep those industries going on taxpayers' contributions. The long public sector coal miner's strike was seen by the public as holding the country to ransom and the climate was right for change. It was against this background that restructuring of the ailing public sector began. Results and performance were emphasised in the industries remaining within the public sector. Large public sector undertakings were converted into smaller, more manageable units, competition was introduced, subsidies withdrawn gradually. The under-performing utilities were gradually privatised. The privatisation process brought cash to government coffers which was welcomed by the cash-strapped government. The money generated by these privatisations was utilised for improving facilities and services in the social sector such as health, and education. Following the example of UK, as mentioned earlier, countries like the US, Canada, New Zealand and Australia followed. Reforms on the line of NPM have been tried in many developing countries including, notably, the 'tiger' economies, Latin America, South Asia and even Africa.

While there has been opposition to privatisation and downsizing by trade unions and other labour organisations, the measures taken by governments were generally welcomed by people at large, and successive governments have stuck to the core philosophy with minor changes. In the UK the election of the labour party did not

mean going back to the nationalisation of privatised units. The election of the democrats in the US did not mean undoing initiatives began during the Republican era.

2.8 Criticisms of new public management:

Some view new public management as offering a new way of looking at and carrying out management functions with-in the public service/sector. Others regard it as simply superficial adoption of some features of private management, while ignoring the fundamental differences of the public sector environment. Critics, from the traditional public administration stream argue that the good parts of the old model – high ethical standards, service to the State – are being cast aside in the rush to adopt the new administrative philosophy.

There are several specific aspects of the new public management agenda which have attracted criticism. The theoretical foundation in economics and private management is one of the criticisms. It is argued that there are limitations to the use of economic methods in an essentially political environment of the public sector. Not all governmental problems will be amenable to economic techniques. The influence of the private sector business model has been criticised on the grounds that the public sector is different from the private sector, and, hence private sector models of management become irrelevant to its operations. According to Pollitt, (1990) the clear and limited objectives, as well as stable and explicit priorities identified with the private sector are very seldom the experience of public service organisations. Pollitt (1990) has further criticised new public management on the grounds that it is the direct descendant of Taylor's scientific management, which, is contrary to the wisdom of the human relations school. New public management has also been criticised for 'politicising' administration as against the time-honoured principle of neutrality and the non-partisan character of traditional administration. It is feared that politicisation could lead to problems of the kind that Woodrow Wilson's reform

movement in 1880s tried to repair: namely, reduced accountability. Some critics argue that, if public servants are to be managerially accountable, their obsession with results will affect their accountability towards the public. A final criticism of the new public management is that there is no clear definition of a new public management!

There are some valid points in the criticism of new public management, but these are not convincing. It is true that uncritical acceptance of private sector theories is bound to fail in the public sector, but that does not mean that the public sector should continue to be managed by traditional means. There are benefits in identifying which ideas from private sector theories can be helpful in improving the performance of public services. It is also true that there are 'neo-Taylorian' incentive structures in the managerial programme to reward those who perform, and to provide disincentives for those who do not, including easier avenues for dismissal. However, Hughes is of the view that this criticism is misleading and Taylorism had much more in common with the traditional approach than with new public management.

With regard to the criticism of politicisation, the proponents of new public management maintain that the public service is essentially a political instrument. What is happening under new public management is only that the role of senior civil servants is being viewed more realistically. About commercialism leading to reduction in accountability, Hughes (1998) is of the view that the greater transparency of the new public management approach will enable people to see what the government is doing and this will ensure better accountability. Also, with regard to lack of a clear definition, Hughes (1990) is of the view that public management may actually be stronger by not being viewed as an attempt at an overarching approach to the public sector. The new public management approach includes a focus on results, the personal responsibility of managers, and a more realistic relationship between politicians and the public servants. Beyond these there is unlikely to be any agreement or a stable, consistent model.

The real test is the performance of the new model compared with the old. The managerial programme, which is based on economics and private management, has a theoretical foundation at least as good as the traditional theory of administration. The new public management agenda is simple - government provides scarce resources to public programmes and would like to know that public ends are being served in an efficient and effective manner. Corporate planning techniques can specify what departments are to do; programme budgeting means that scarce funds can be better targeted; performance indicators allow some measures of how well the targets are being achieved; and the personnel changes increase flexibility so that the most able are rewarded and the inefficient can be removed.

2.9 Summary:

In summary it can be said that the reforms in OECD and many developing countries are a result of a broad realisation that the old rigid bureaucratic system was inefficient and ineffective. The results of the changes, by and large, have been encouraging so far. If particular parts of the reform process do not work, it is likely that there will be further changes in the direction of new public management, rather than a return to the traditional model. It appears that, given the problems being faced by many countries, more and more countries will be trying the NPM recipe to deal with the problems of the resource crunch, inefficiency, inflexibility etc.

At the moment, the public service in most countries contains elements of both models in a coexistence. However, it is felt that the new public management is closer to what present governments actually want, which is the maximum quality of service delivery at the lowest administrative cost, without worrying too much about the means used. And all that the managerial changes do is to allow for public purposes to be carried out in a more efficient, cost effective way, by providing more effective means and better information to those making decisions.

Having outlined the principles of new public management, Chapter three examines their application in some industrialised countries.

Chapter III

Application of NPM to the Maritime Administrations of Some Industrialised Countries:

3.1 Principles of NPM in MARAD:

The last Chapter examined the background, origin and salient features of new public management and argued that it was mainly a concern for improving efficiency and reducing the cost of the functioning of public-sector organisations which propelled governments to apply the principles of NPM to the functioning of various organisations. Maritime administration, being part of the general administration, was no exception.

A survey of the maritime administrations of some of the OECD countries indicates that there has been quite an extensive application of the elements of NPM. These have been applied to some degree or other as part of the government's efforts to achieve better performance in the functioning of maritime administrations, improving efficiency and effectiveness, improving the quality of delivery of services while cutting costs, and ensuring professionalism in decision making, commercial orientation and emphasis on results. The basic concerns of these governments and administrations have been to get better value for the money invested, and to concentrate on the core areas, while leaving non-core activities for the private sector and voluntary agencies to handle. Application of NPM principles has been, by and large, quite successful in improving efficiency and cutting costs. The administrations of these countries are leaner, more effective and efficient.

A perusal of the information available on maritime administrations of countries such as Australia, Canada, Germany, Sweden, the UK, and the US indicates increased autonomy and delegation of authority in functional and financial matters through the

use of agency concepts and corporatisation, more clear separation between policy and delivery, and increased commercial orientation with an emphasis on cost recovery and results rather than rules and procedures, entrepreneurship, contracting out and partnerships with private, NGO and voluntary organisations for the delivery of services in the most efficient and cost effective manner. These interventions are reported to have reduced the involvement of the government in the day-to-day running of the organisations and have introduced competition in the functioning of administrations leading to higher efficiency.

Discussed in the following paragraphs are the elements of NPM applied in the maritime administrations of some of the industrialised countries.

3.1.1 Increased autonomy in functional matters:

In order to meet the requirements of a market driven and rapidly changing maritime industry several countries have given more functional autonomy to their maritime administrations. This has been done by organisational restructuring, adopting governance structures such as an executive 'agency' system, and conferring sufficient independence to enable them to work on a commercial, professional line. The advantage of such increased autonomy is that the organization carrying out maritime administration responsibilities can adopt a more flexible approach according to the market situation in functional and personnel matters without being bound by strict government rules and regulations particularly in matters such as pay, hiring of qualified personnel at attractive pay according to industry standards, and firing of incompetent people. Increased autonomy also reduces delay in decision-making and helps organisations to work on more professional lines. It also insulates the agencies / organisations from political interference to a greater extent. Care of course needs to be taken to ensure that the public interest is not adversely affected by this more 'commercialised' approach.

Prominent among the countries having provided a high degree of autonomy to their maritime administrations are Australia, Sweden, the UK and the US.

The governance arrangements in Australian Maritime Administration principally provide for a government department and a quasi-independent agency, the **Australian Maritime Safety Authority (AMSA)**, established by law with a Chief Executive Officer (CEO) and a board of directors at the helm of affairs. The authority is essentially financially self-sufficient. The members of the board of directors are drawn from the private sector, business management and government, all with rich experience. There is a clear separation made between policy and delivery functions the former being retained within the Department of Transport and Regional services. There is an independent marine incident investigation unit and independent maritime education and training facilities under the government department which ensures regulatory supervision (Hodgson, 2000).

Another excellent example of a high degree of autonomy is that of Swedish Maritime Administration which has been restructured and made fully autonomous with significant devolution of powers including policy functions. Though it might appear as if merger of policy making and delivery of service is against the NPM philosophy, in fact it is discharging the role of a professional policy maker while the formality of issuing the broad policy guidance is done by the government. Also, all organisations providing maritime activities, with the exception of Coast Guard, are integrated and provide an excellent example of a single cohesive approach. Coast Guard responds to spills. Devolution to NGOs is limited and confined to search and rescue services.

In **the UK**, the Maritime and Coast Guard agency is a largely autonomous executive agency under the Department of Environment, Transport and the Regions. The agency was set up by merging the Marine Safety and Coast Guard Agencies to enhance the working relationship between the two. The agency is headed by a chief

executive with devolution of power and responsibility for day-to-day functioning. The CEO is responsible directly to the Secretary of State for the running, management performance and future development of the agency under a clear agreement specifying details of targets and performance.

Though the principal executive arm in the field of maritime safety and security in the United States is the US Coast Guard, the application of some of NPM elements in the **US MARAD** is visible in its vision, and mission statements which emphasises that the strategies used to achieve its goals, will be building effective partnerships with business and communities to solve problems, improving customer service to restore confidence in government and reinventing government to get the job done with fewer resources (DOT, 2001). With respect to the US Coast Guard, while it has been given significant autonomy, there is no financial independence, and it relies instead almost entirely on annual government appropriations.

3.1.2 Financial self sufficiency:

As we saw in the previous chapter one of the reasons for poor performance of many organisations was their dependence on a centrally allocated annual budget by the government. The level of services offered depended on what was possible in the allocated budget rather than what was required by the public or industry. The revenue generated by the organisation went to the central consolidated revenue fund leaving no incentive to the organisation to enhance generation by improving efficiency. It was this dissatisfaction which led to a shift to increased financial autonomy, and organisations were given authority to generate and retain revenue for meeting their operational requirements and to reinvest in order to improve the delivery of services. This increased financial independence enabled these organisations to offer and improve the services that industry needed and also enabled governments to utilise funds that might have been destined for marine administration

in those areas where revenue generation would have been more difficult, such as social sector.

A good example of this element of NPM is found in the **Swedish MARAD and Australian Maritime Safety Authority (AMSA)**. The Swedish Maritime Administration is financially self-sufficient and has been performing well, exceeding the targets established by the government. Revenue generation is achieved through fees and user charges. This gives Swedish MARAD significant independence in policy making too – a job it has been performing efficiently. Financial independence has given the Swedish MARAD the capability to be professional in policy making with out undue political influence. Similarly, the **Australian Maritime Safety Authority** is largely self-financed through charges for services, and also has a contract with the government to cover the cost of providing Search and Rescue services. The operations are by and large commercialised, though some funding is provided by the government to take care of certain services being provided to the community such as SAR operations, marine communications, and boating safety education.

In the UK, though the MCA depends on the government for its annual budget, the CEO has significant delegated financial authority regarding running expenditures, programmes, unbudgeted emergencies etc. and unlimited contractual delegation for competitive and single tender procurement within departmental guidelines. Search and rescue coordination services are funded directly and there is no contract for these. There is an independent accident investigation board.

3.1.3 Increased cost recovery:

Again, as we saw in the last chapter, public dissatisfaction with the traditional style of administration may be attributed to the poor delivery of service, because of inadequate resources and the growing incidence of taxation as a result of efforts by

the government to raise funds to provide those services. In order to bring down the level of taxation it was essential to generate revenue in areas where it was possible. Ideally it would be preferable to recover the full cost of the service being provided, but if that is not possible, partial recovery is an attractive alternative. Cost recovery not only raises revenue but also disciplines demand. **Countries such as Sweden and Australia have a good mechanism for achieving nearly full cost recovery of services** being provided. Other countries are trying to increase recovery of the costs incurred in providing various services. While some cost recovery is made in the UK, Canada and Germany, there is little or no cost recovery in the US and France. In the US, while the cost of clean up operations is recovered from the polluter, the general lack of emphasis on cost recovery may be because of the fact that the Coast Guard is regarded as providing services considered essential for the protection/defence of the US coast and marine environment and helpful in boosting trade which is very important for the US economy. These activities are conventionally funded by the government. In France, the reason for lack of emphasis on cost recovery may be due the national Administrative culture. In spite of fiscal, economic and bureaucratic crises that provided compelling arguments for the introduction of modernising reforms such as privatisation, decentralisation and contractualism, the reform initiatives met strong resistance both at the 'elite' and lower, heavily unionised, levels of the public sector. The resistance of these entrenched interests and the centrality of the State in the French political and administrative culture stymied the intentions of reforming politicians (Minogue, 2000).

3.1.4 Corporatisation:

Corporatisation essentially means the establishment of a commercial enterprise within the public sector. It enables the government to retain control over the enterprise while allowing it to function as a commercial unit. In a strategic industry operating in a monopoly situation the government may like to retain its control over the industry. Many a times it may be desirable to fully privatise a public sector unit

but because of pressure of workers' unions it may be considered desirable to retain a unit as a public sector corporation as has happened in many countries. It has been tried successfully in certain industrialised countries, notably in Ports and Pilotage Authorities in Canada. While corporatisation has achieved more commercial functioning for the organisations, there has been some concern about the reduction in government control over their functioning and fears are being expressed that in the process of becoming commercialised the public interest is taking the back seat. However, the advantages accruing from corporatisation are considered to outweigh these concerns, and more and more countries including developing nations are opting for it.

3.1.5 Privatisation:

The main reason that governments the world over choose to privatise is the need to bring in investments from the private sector and to utilise the managerial and technological expertise it has to offer. We have seen privatisation of ports and canals as well as navaid and helicopter maintenance services. Maritime administrations in several industrialised countries are resorting to hiving off non-core activities to the private sector and focussing their attention on discharging the core activities of regulation and enforcement more efficiently. Sweden, the UK, and AMSA have all been effectively utilising the expertise and resources of the private sector in carrying out many maritime services more efficiently. While services of the private sector are relied upon for delivery, effective supervision and monitoring is ensured by the maritime administration

3.1.6 Partnerships with the Private sector and NGOs:

Where the delivery efficiency and effectiveness of elements of a programme may be enhanced by involvement of the private or volunteer sector, but where a continuing general government interest and involvement is also necessary, maritime

administrations of certain countries for example the UK and Germany for SAR resources, and Canada and the US for oil spill response and training, have been utilising the services of private and volunteer sectors efficiently through 'partnership' approaches. There is a significant reliance by the UK on NGOs such as Trinity House, and on voluntary organisations such as the RNLI. Pilotage services are provided by the ports and Trinity house. Maritime training is effected through a partnership with industry (MCA, 2001). It is encouraging to note that many developing countries such as India, Philippines and Indonesia are also involving the private sector in 'partnership' activities, for example education and training of seafarers and other non-core activities.

3.2 Analysis of NPM in MARADs

A look at the application of NPM principles in the maritime administrations of industrialised countries discussed above indicates that while some of these administrations have applied NPM reforms to a significant extent others come across as a mix of features of the traditional model of administration and some of the principles of the NPM philosophy. Control by Governments is still the norm rather than the exception. The bulk of funding in most administrations is still provided by the government although the trend towards increased cost recovery continues. Efforts are, however, being made by most administrations to move towards a scenario in which maritime policy is positioned in a small government ministry or department in charge of maritime administration, while delivery of service is more NPM oriented, with a functionally and financially independent organisation that has the flexibility to conduct efficient operations in a market oriented environment. It is interesting to note that the Finnish maritime administration has recently completed a report on reorganisation as a business enterprise and this has been circulated for comments. The possible date for reorganisation is early 2002.

There is growing emphasis on the value of introducing sufficient cost recovery to at least discipline demand. There are also improved interfaces with other government departments, governments at provincial and local levels, other national governments and private sector voluntary groups. There is increased emphasis on consultations with customers and clients, so as to ensure the provision of more efficient, more responsive and less costly services. There is also, in many instances, emphasis on achieving effective maritime education and training through delegation, and an independent accident investigation function. There is a clear recognition of the need to ensure linkages between safety vs. economic aspects, transport vs. ocean considerations, and regulation vs. service considerations (Hodgson, 2000).

An examination of a typical cost distribution in the maritime administration in industrialised countries indicate that while approximately 5% is spent on policy development in areas of economic management, safety management and environmental management, about 15 % is spent on regulation and legislation, and up to 80 % is spent on provision of services. The percentage of expenditure on services is high in developed countries principally because of SAR and, where applicable, ice-breaking activities. The distribution is almost certainly different in the case of developing countries. But, it does highlight the importance of delivery of service in the most efficient, economical and effective way (Hodgson, 2000). New arrangements are being tried out in this area in many countries by adopting a more commercialised structure in the form of an agency approach, privatisation, contracting out, partnerships, introduction of user fees etc., for cost recovery. Paying clients wish to see more cost-effective means of service delivery e.g. through partnering, out-sourcing or privatisation. Any responsible administration has to respond to these challenges. An example which comes to hand is that of oil spill response where a number of governments now choose to monitor and advise on the clean up operations which are carried out by expert private contractors, with expenditure for both preparedness and response being met by ship owners/companies.

3.3 Summary:

The maritime administrations of several industrialised countries have already adopted a number of principles of NPM, while others are moving in that direction so as to make their MARADs more independent financially and functionally. As lack of adequate resources is always a problem with developing countries and provision of adequate maritime services is an important expectation, these resource-generating methods and other efficiency enhancing elements of the NPM menu may be of special use to developing maritime administrations.

Having discussed application of NPM in industrialised countries, Chapter IV examines maritime administration in developing countries, and explores their principal weaknesses and possible solutions.

Chapter IV

Maritime Administration in Developing Countries – Description, Weaknesses and Possible Solutions

4.1 The issue:

Many writers (Nunberg, 1995; Schick 1998) are of the view that the NPM agenda might have served the needs of the industrialised countries but it is inappropriate for developing countries because of the absence of preconditions such as well-developed democratic institutions and the existence of well-oiled market mechanisms. Problems of underdevelopment, weak democratic institutions, corruption and non existence of market structures limit capacity to absorb reforms. What they essentially mean to say is that, because of the general characteristics of the developing world, these reforms are inappropriate for developing countries. However, there are writers like Polidano (1999) who conclude that if proper precautions are taken there is no reason why these should not succeed in developing countries. Much depends on the local conditions and the commitment of political and administrative leadership.

This Chapter examines whether the particular political and economic conditions considered essential by some writers exist in developing countries or not. The Chapter also identifies the problems of the general public administration and maritime administration of developing countries and whether the application of principles of new public management is possible to improve the efficiency of maritime administration in these countries.

The literature on exclusive problems of maritime administration in developing countries is scarce. However, as maritime administration is only a part of general public administration it is clear that the problems affecting public administration in general apply to maritime administration as well.

4.2 General characteristics of public administration in developing countries:

Underdevelopment in developing countries is a historical legacy and due, in large part, to poor governance. The essential elements of governance, on which there is broad agreement in the literature are the rule of law, freedom of expression and association, electoral legitimacy, accountability and transparency, and development oriented leadership (Adamolekun,1999). All these have remained underdeveloped and continue to be so in many developing countries thus affecting the functioning of the administration in one way or the other.

Though most developing countries adopted western style democratic systems in their constitutions at independence, democratic institutions in most countries remained largely undeveloped, particularly in Sub-Saharan Africa where one-party governments and authoritarian military regimes dominated administration until the 1980s. Most did not respect the rule of law. This was also the case in South-East Asia and Latin America. The rule of law with regard to economy implied protection of property rights and development of commercial law, with particular attention to enforcement of contracts. Freedom of expression and association was also enshrined in the constitution of most States but were not respected in the majority of countries. In the absence of these features, public administration was deprived of a watchdog that could contribute to keeping it accountable and responsible to the public. The result has been rampant corruption in most countries. In a very real sense, electoral legitimacy, derived from periodic, open, competitive, free and fair elections that provide a mandate to the elected political executive to govern, has been missing in many countries. Accountability is another factor that is found wanting in many countries. Respect for the rule of law and an independent judiciary constitute key mechanisms for enforcing accountability. Unfortunately, in many countries these could not develop to a reliable level. A widely acknowledged indicator of weak accountability and lack of transparency is the phenomenon of corruption and abuse of public office for personal gains.

Most developing countries inherited the idea of the State as the engine of growth from their former colonial rulers. In some countries that adopted a socialist path to development, the command economy of the former Soviet Union and Eastern Europe became the model. Most other countries declared a commitment to a mixed economy but with the State controlling the core industries, the 'commanding heights of the economy'. One reason was that the private sector was not sufficiently developed and the State had to shoulder this responsibility. As state control became an ideology in many States, private sector growth suffered and could not contribute to the developmental process. While the command and control economies did contribute to laying an infrastructural foundation in many countries, by and large, performance could not come up to the expectations. In comparison, market-friendly economies have performed better. In view of this there has been an effort towards restricting state intervention in the economy in many developing countries and encouraging the private and voluntary sector to come forward and shoulder responsibility for economic development.

Since the mid-nineties the need for a more market-friendly economy has become widely accepted throughout the world. It implies a reduced role for the State in national economic management. Under this new concept the State provides an enabling environment for private sector economic activities by implementing appropriate economic policy reforms and providing the necessary legal and regulatory framework. It is also expected to provide some of the social and physical infrastructure, sometimes in partnership with the private sector.

The World Development Report published by the World Bank in 1997 on the changing role of the State concluded that state-dominated development had failed. But so had stateless development. Without an effective state involvement, sustainable development, both economic and social, is not possible. The report offers a two part strategy. The first focuses on ensuring that the State's activities match its

capability. Many States try to do too much with few resources and little capability. Getting governments better focussed on the core public activities that are crucial to development will enhance their effectiveness. The second strategy looks to improve the State's capability by reinvigorating its public institutions. The report puts particular emphasis on mechanisms that give public officials the incentive to do their jobs better and to be more flexible, but that also provide restraints to check arbitrary and corrupt behaviour. The report further argues that, although there is an enormous diversity in settings and context, effective States clearly do have several common features. One is the way in which the government sets the rules underpinning private transactions and civil society more broadly, and another is the way in which the government plays by the rules, itself acting reliably and predictably and controlling corruption.

An effective State is vital for the provision of goods and services, and the rules and institutions that allow markets to flourish and people to lead healthier and happier lives. Without it, sustainable development, both economic and social, is impossible. The message of experience is that the State is central to economic and social development, not as a direct provider of growth but as a partner, catalyst and facilitator (World Bank, 1997).

Most developing countries are gradually moving towards the model envisaged in the development report. There is a move towards a law-based State with respect for the rule of law and with an independent judiciary. Competitive multiparty elections have become the norm and most governments have elected heads. It has conferred credibility and predictability in government policies. The anti-corruption measures being implemented in many developing countries include strengthening enforcement of accountability and improving transparency and openness in the conduct of government business. The institution of Ombudsman is also spreading as an instrument for enforcing accountability. It conveys a message to the public officials

as to the need to treat citizens with fairness and impartiality. There is also greater access to government information in developing countries in the 1990s.

The government reorientation of the nineties is also towards enhanced roles for sub-national and local governments because of the failure of the centralised States. Most countries are adopting decentralisation policies that seek to transfer functions and resources to sub-national and local governments. In several countries private, voluntary and non-governmental organizations are becoming key players in the transition process. The active role played by these organisations in the social, political and economic spheres is having significant consequences for the functioning of the public administration system. In several collapsing States torn by civil war, civil strife or political crises (Angola, Burundi, Liberia, Nigeria, Sierra Leone, Rwanda, Somalia, and Sudan) these organisations have provided support to the citizenry. In other countries where there are functioning public administration systems, such organizations are becoming invaluable partners of governments in the provision of social services, the development and maintenance of local infrastructure and the mobilisation of micro-credit for financing development projects. Nurturing and deepening such partnerships is one of the main challenges for public administration that these countries will face in the next decade and beyond (Adamolekun, 1999).

A more widespread dividend of democratic transition is peace which is widely acknowledged as a condition for development. The absence of peace is, without doubt, a major explanatory factor for the phenomenon of a collapsing State characterised by persistent civil war, civil strife and political crisis. The absence of peace is also a critical factor in the crises of development in developing countries. In a conflict situation with varying degrees of intensity the promotion of development becomes subordinate to the containment and resolution of the conflict. Peace also helps to ensure that governments are able to pay serious attention to tackling the

problems of underdevelopment, including the nurturing of public administration capacity as an instrument for achieving results.

As discussed earlier economic compulsions have forced virtually every developing country to move towards promoting private sector development, and this in turn is leading to the emergence of a new public–private balance – more involvement of the private sector in national economic management, and a corresponding reduction in the State’s role while emphasising its responsibility to provide a ‘business-friendly’ policy environment and appropriate legal and regulatory framework. A major indication of change is the scale of privatisation of state-owned enterprises that has taken place in many countries in the last decade. Many countries are promoting partnership between the public and private sectors. Where privatisation has not been possible, corporatisation has been resorted to. The objective of improved performance in public management is often linked to the reduced role of the State as illustrated by the French expression ‘moins d’etat mieux d’etat’ meaning a leaner but better performing state .The assumption is that the poor performance in past public management was a consequence of the overextended State.

The measures that are being implemented in many developing countries are drawn largely from the public sector modernisation implemented in industrialised countries notably UK, New Zealand, Australia and United States in the 1980s and 90s referred to earlier. Many developing countries are implementing selected aspects of NPM notably granting more autonomy to public sector organisations, emphasis on results, accountability for performance and results, introduction of competition, contracting, and customer orientation through the establishment of executive agencies modelled after those of the United Kingdom.

4.3 Maritime administration in developing countries:

Improvement in maritime affairs in developing countries depends on developing and strengthening their respective maritime administration capabilities. As maritime administration is a part of general public administration, the attributes of administration discussed in preceding paragraphs have an important bearing on the quality of maritime administration.

Though there are significant variations depending on the socio-economic and political conditions of various countries, a survey of the literature on the subject reveals the following basic problems found specifically in the maritime administration of developing countries: (a) inadequate resources, financial as well as technical, (b) out-dated maritime legislation, both primary and secondary, (c) obsolete organisational structures (d) heavy dependence on government for the execution of policy as well as the delivery of service (e) inadequate infrastructure as regards organisation and personnel for ensuring proper standards of maritime safety on board ships, and prevention of pollution from ships, (f) shortage of trained manpower, (g) lack of training facilities for marine officers and seamen (h) inability to implement international standards laid down by IMO conventions and (i) lack of quality consciousness and control(Vanchiswar, 1996).

The basic problems mentioned above are discussed in the following paragraphs:

(a) Inadequate resources: As a result of various factors, particularly underdevelopment this is one of the most crippling characteristics of the maritime administrations of developing countries all over the world. These resource constraints are both financial and technical. Financial constraints affect administration in various ways, for example the inability to procure the necessary manpower and equipment, which in turn affects delivery of service. Most administrations are dependent on limited annual budgets provided by the concerned

government department. Self-sufficiency in financial matters is rare and most of the revenue generated as a result of user fees and other levies goes to the general kitty of the government leaving virtually no incentive for the maritime administration to augment its resources by rationalising its tariff structure etc. Lately, a lot of emphasis is being paid to reception facilities in ports. For maritime administrations of developing countries, which are struggling to make available the bare minimum essential services, thinking of providing reception facilities for oil, sewage and ballast water is a taxing proposition unless they are able to generate revenues to take care of their needs.

(b) Outdated maritime legislation: Most developing countries inherited the legislation enacted by the colonial power administering them. Thus Anglophone countries' legislation was based on the UK model whereas Francophone countries' legislation followed the continental system which is essentially the French system. As most of these countries were only engaged in the task of maintaining law and order and somehow keeping the countries together, addressing issues such as modernising maritime law, or for that matter civil or criminal penal codes, always took a back seat. The result is that most developing countries are saddled with a legal regime which is more than hundred years old and is just not capable of meeting the needs of the information technology driven shipping industry of the 21st century. It is the same story with subordinate legislation. As these countries do not have the expertise to bring the legal regime up to date, the international conventions enacted by IMO, and in many cases ratified by these countries themselves, do not get translated into domestic law which adversely affects implementation of international conventions and thus has an impact on international shipping.

(c) Obsolete organisational structures : Many developing countries still rely heavily on government departments to manage maritime affairs. As government departments are bound by strict rules and regulations with little room for flexibility, they are not considered appropriate for managing an industry which is not only very

international in character, and changing rapidly, but also calls for quick decision-making. Because of emphasis on rules, regulation and concentration of decision-making power, government organisation structures have been found to be unable to survive in the competitive market. In addition, it encourages political and administrative interference, which strikes at the commercial viability of the organisation. Similarly heavy reliance on the civil service is also generally not considered conducive to the commercial and professional interests of maritime organisations. There is thus a need for developing countries to look at alternative structures to manage activities which cannot be managed profitably by the governmental organisations. Though the core activities of maritime administration cannot be privatised, there is room to provide a lot of autonomy to the maritime administrations which will enable them to perform more effectively and efficiently

(d) No separation in policy making and delivery of service : As indicated in paragraph above many developing countries still rely on government departments to manage their maritime affairs with no clear separation between policy making and delivery of service. The disadvantage of this arrangement is that the government departments are bound by strict rules and regulation which affect delivery of service in a market driven industry. Separate executive agencies are a better option. Their performance can be judged against specific targets and corrective action taken in case of poor performance. Secondly it does not leave enough time for the policy makers to address the issue of policy making with the detachment necessary. Separation of policy and delivery enables the government to reduce the strength of permanent civil servants also as most staff of executive agencies work on different terms and conditions.

(e) Inadequate infrastructure as regards organisation and personnel for ensuring proper standards of maritime safety on board ships and prevention of pollution from ships: With increasing trade the number of ships visiting each port is increasing. While it is possible for developed countries to use an optimum

combination of increasing the number of personnel and advancement in technology to take care of the growing number of ships with their modern organisational structures, developing countries are not in a position to do that because of their old, out-dated organisational structures and management style which makes it difficult to think of innovative ways to overcome resource constraints discussed in paragraph (a) above. As a result, flag state implementation and, port/coastal state control are not as effective as they should be, resulting in increased risk of marine pollution to their waters.

(f) Shortage of trained manpower: As historically most of these countries have not been maritime powers, there has been only a very limited number of seafarers having the right kind of training and experience needed to provide pro-active leadership for improvements in maritime administration.

(g) Lack of training facilities for marine officers and seamen: As indicated above, a shortage of trained manpower to provide leadership, a lack of resources and an inability on the part of governments to think in futuristic terms have led to a situation in which most developing countries have no maritime training facilities. There are exceptions of course, for example China, India, Indonesia and Philippines, which continue to succeed in providing a good network of training institutes to meet not only the requirements of domestic shipping but also a significant demand from world shipping as well.

(h) Inability to implement international standards laid down by IMO conventions : As indicated above a lack of expertise in maritime legislation and an absence of trained manpower are the two principal reasons why most developing countries have lagged behind in implementation of IMO conventions. The biggest disadvantage is of course to these countries only as their ships will be subject to the regime of the IMO conventions in the ports of those countries who have ratified and implemented those conventions, whereas they will not be able to give effect to the

provisions of those IMO conventions not ratified by them on ships visiting ports in their waters and posing a risk to their marine environment.

(i) Lack of quality consciousness and control: Generally a quality consciousness has been lacking on the part of all the stakeholders in developing countries mainly as a result of ineffective maritime administration affecting discharge of flag state and port/coastal state responsibilities. Collaboration between the administration and interested parties is vital for success in ensuring quality shipping both nationally and internationally.

4.4 Possible solutions – why principles of new public management are the preferred choice:

An analysis of the new public management principles and the problems/shortcomings of the maritime administrations of developing countries indicate that, in many ways, the principles of new public management seem to be addressing the very same issues for which administrations of developing countries are seeking solutions. The result of application of new public management to the problems of a number of developed countries in the eighties and nineties are reported to have been encouraging. It is true that the stage of development of the developing countries, when compared to those of the developed countries where this philosophy has been applied, are vastly different, but, given the fact that these countries are moving in that direction, and accepting a commitment to dovetail the philosophy to the local needs of the countries to which they are proposed to be applied, there is reason to believe that new public management should be helpful in finding solutions to the problems being faced by the maritime administrations of developing countries, and could bring about an all round improvement in maritime administration.

An attempt has been made here to see how the principles of new public management philosophy may be applied to tackle the issues identified above.

The thrust of what has been discussed in the preceding paragraphs of this Chapter is that the developing countries are gradually reorienting their governments towards efficiency and effectiveness. However, the process is slow and needs to be expedited. As shipping is international in character and changing rapidly, the need is urgent and the maritime administrations of developing countries need to take the lead in the application of NPM principles.

As discussed earlier organisational appropriateness is an important factor in realising efficiency. Keeping in view the nature of the shipping industry, there is a need for maritime administrations of developing countries to be efficient, effective and economical. Functional and financial autonomy, therefore, are important for maritime administration. As government departments with their rules and regulations have not been found suitable to meet the challenges of market-oriented industry, there is need to set up more commercially-oriented organisations, separate from the government, with powers to take decisions without waiting for government approval. There are many studies highlighting the fact that autonomy from central control is a significant contributory factor to good performance (Polidano, 2000). The function of the Ministry should be to concentrate on policy-making which needs to be strengthened in view of the importance of shipping to the economy of developing countries. Separation of the delivery function should be given a priority so that the government can have a contractual arrangement regarding performance and take corrective measures in case of failure. It will ensure accountability in the delivery of service and improve its quality and focus on results. The government should, of course, be able to supervise and monitor the performance of the executive agency effectively.

An UNCTAD study (UNCTAD, 1997) shows that the percentage of export in the GDP of developing countries is increasing. This means that shipping-related activities will increase in future and so will the threat to the marine environment. As

both exports and the marine environment are important in the economy of developing countries, efforts should be made to ensure that maritime activities are carried out as efficiently and safely as possible. This requires deployment of adequately trained personnel and equipment to ensure that the MARAD is able to carry out its responsibilities of flag, port and coastal state jurisdiction as effectively as possible. In this way it can ensure that all safety requirements laid down in international conventions are met and the threat to the marine environment is minimised. The emphasis on safety and pollution prevention requires an additional commitment of resources on part of all stakeholders including maritime administrations in the form of better legislative inputs, stricter implementation and more rigorous enforcement. All this requires financial resources that most maritime administrations in developing countries are not in a position to mobilise in view of limited budget allocations. There is thus a need for more financial independence so as to be able to raise resources through user charges and the levy of fees etc. to meet the expenditure involved in conducting operations and meeting developmental needs. This will not only make maritime administrations more resourceful, but means that governments will not have to bear the burden of providing the annual budgets which may be utilised for providing services in the social sector where possibilities of raising such resources are more limited.

One of the reasons for inefficiency in most developing countries, as pointed out in the World Bank report, is the tendency to do too many things with too few resources. Maritime administrations should take stock of their strengths, weaknesses, opportunities and threats and should concentrate on core activities, leaving other functions to be carried out by the private, voluntary and the non-governmental sectors. A more meaningful involvement of classification societies, private sector involvement in maritime education and training and subcontracting of some of the services to NGOs with effective supervision are a good examples.

The limited availability of trained personnel and the lack of training facilities are serious problems being faced by developing countries. Having flexibility in personnel policies, which would permit pay according to merit and facilitate getting rid of unsuitable personnel not possible under rigid HRD policies of government, may be useful. The problem of non-availability of personnel may be tackled by making maximum possible use of the facilities offered by the recognized classification societies. Effective supervision and monitoring of the functioning of the classification societies by the maritime administration is, however, essential to ensure adherence to the standards laid down by the international conventions particularly in view of the evidence of some classification societies allowing commercial interest to take better of their professional commitment. For proper training facilities, wherever feasible, involvement of the private sector should be encouraged under effective supervision of maritime administrations. Bilateral or regional arrangements can also be explored with developing countries having the necessary expertise, such as China, India, Indonesia and Philippines. Certification would, of course need to be retained as a central government responsibility.

One of the major constraints preventing maritime administrations in developing countries from being innovative is the hurdle posed by archaic maritime legislation. There is thus an immediate need to bring legislation in most countries up to date so as to facilitate implementation of new ideas and administrative principles for improvement of efficiency. Many developing countries do not have the expertise to undertake this exercise. These may be provided help under the technical assistance programme of the IMO, or under bilateral arrangement between the countries having expertise and those seeking such assistance as indicated in the preceding paragraph. There is also a need to promote cooperation within the developing countries. The IMO and the regional MOUs provide a good institutional mechanism to promote such South-South cooperation.

4.5 Adoption of NPM in developing countries:

Many developing countries have been adopting various elements of the reform model discussed in Chapter two, especially privatisation, contracting, executive agency structures, efficiency and quality improvement reforms. The process of globalisation and the encouragement given by donor countries to NPM style reforms have played an important role in its transfer to developing countries. In many instances, the insistence by donors on NPM style reforms as a means of change has left developing administration no choice but to accept it (Minogue, 2000). Governments in developing countries have also been looking for solutions to the problems of overloaded, expensive, inefficient and unresponsive state government – the conditions which gave rise to the NPM philosophy in the first place in the west – and are keen to embrace it as a solution to their problems.

Adoption of new public management reforms in developing countries include examples such as Malaysia's experiments with total quality management, the result-oriented management initiative in Uganda, and the wholesale restructuring of the Chilean educational system along internal market lines. Two of the more commonly adopted elements of the NPM agenda, which have been tried as part of the economic restructuring in most developing countries, are privatisation and downsizing. While a number of Latin-American countries have gone far in this sector, many Afro - Asian countries have been treading more cautiously. The other most common initiative from the NPM menu in developing countries has been corporatisation (Polidano, '99). One noteworthy African trend is the merger of the customs and income tax departments into corporatised national revenue authorities. Corporatisation has allowed these authorities to raise wages, and shed poor performers while hiring better-qualified staff, to offer bonuses in return for meeting revenue targets, and to operate on a self financing basis (Chand and Moene, '99). This African variant of NPM has been adopted in Ghana, Kenya, Malawi, Tanzania, Uganda, and Rawanda, and is being tried in Pakistan. Some African countries, notably Ghana but also

Kenya, Uganda, Zambia, South Africa, Malawi and Zimbabwe are also in the process of corporatising their respective health sectors. This generally involves converting hospitals into free-standing bodies run by their own boards of directors, as well as hiving off the service delivery arm of the Ministry of Health into a separate health service on UK lines. Also, a number of countries are experimenting with UK-style executive agencies including Jamaica, Singapore, Ghana and Tanzania.

Corporatisation initiatives have had mixed results. In some countries revenue authorities have dramatically increased tax income. Ghana's National Revenue Service, for example, registered an increase in its revenue from 4.5 to 17 % of GDP between '83 and '94 (Chand and Moene,99). The Uganda Revenue Authority increased its tax intake by around 17% in real terms between 1991 and '95, its first five years in operation. However, attempts to improve the performance of public enterprises through organisational performance targets have had mixed results in India, Pakistan, Bolivia and Ghana. Similarly health reforms in Africa have produced few visible benefits for want of adequate management autonomy, lack of proper information systems for performance monitoring, and the fundamental reason of lack of adequate financial resources. According to Polidano ('99), many health systems in developing countries are seriously under funded, and this is probably the fundamental reason why better achievements were not possible through organisational change.

4.6 Is the new public management appropriate for developing countries?

There is no guarantee that the model of reforms which has succeeded in developed countries will succeed in developing countries too since there are strong political, administrative and cultural traditions in developing countries, and resistance to imposition is natural. In fact the consequences of application of many of the elements of NPM like privatising, downsizing and other cost cutting measures run contrary to the exiting priorities of administrations in developing countries such as the provision

of jobs as a part of the governments' socio - political responsibility. There are critics who say that NPM-style reforms are good only for industrialised countries as lack of expertise and unreliability of information systems in developing countries mean that it is not viable to develop complex structures such as internal markets or sophisticated performance monitoring systems so very essential for successful implementation of such types of reforms. What these critics essentially mean to say is that the stage of development in developing countries is not ripe for experimenting with reforms like this. These critics also say that management of government in developing countries is afflicted with corruption and nepotism, and central controls and procedures are the only safeguards against further proliferation of such practices. If the controls were removed, which is an important element of NPM style reforms, the floodgates would be opened for greater abuse of power.

There are others, however, such as Polidano (2000), who do not agree with this criticism and say that it is too simplistic to equate management decentralisation with corruption. The limited experiment with NPM reforms has in fact had positive results in several OECD countries and many developing countries e.g. Malaysia, Indonesia, Thailand, Bolivia, Brazil, Chile, Ghana and Uganda. There is, therefore, reason to believe that there are a lot of elements in the NPM model which may be gainfully utilised by developing countries to find a solution to their problems. What is needed is a cautious approach to the adoption of these reforms taking care to ensure that introduction of reforms does not create more problems than it solves. Problems can be avoided by anticipating the consequences of specific measures to be introduced, and planning to deal with it appropriately by providing alternatives. Given the commitment of political and administrative leadership, and an ability to improvise to suit local conditions, new public management should succeed in bringing about improvements in the administration, including the maritime administration, of developing countries.

Having examined and concluded that there are many elements in NPM philosophy which can be applied to improve the maritime administrations in developing countries, the next Chapter examines the status of maritime administration in India and organisational restructuring, on the lines of NPM, that can be considered for improving the maritime administration.

Chapter V

Maritime Administration in India – A Case Study

5.1 Broad political, economic and organisational arrangements

India is basically a parliamentary democracy based on the Westminster model with strong federal features derived from the constitution of the United States of America and some other countries. The Indian constitution provides for a happy blending of unitary and federal features drawn from both the systems. While the parliamentary type of government, with a prime minister as its head, and holding office as long as he enjoys the support of parliament, is based on the Westminster model, the federal system, with states having their own legislatures and governments and powers derived directly from the constitution, is borrowed from the US system. The constitution also provides for a division of power among the legislature, the executive and the judiciary at the federal and the provincial level, with an independent judiciary having responsibility to ensure application of the rule of law, interpret the constitution and provide advice on legal and constitutional matters.

While the federal government is broadly responsible for such functions as defence, foreign affairs, currency, telecommunication, maritime affairs etc, the provincial governments have been assigned primary responsibilities in health, education, law and order and local self-government. Thus, maritime administration in India is under the jurisdiction of the federal government, with linkages to many other organisations at the federal as well as provincial level.

India, thus, like western democracies, has an effective rule of law and a thriving democracy with periodical elections for federal as well as provincial governments which are supervised by an independent election commission having statutory

backing. During the fifty three years since independence, unlike many other developing countries, these democratic institutions have taken firm roots in the country and are assisted and nurtured by a free and independent media which has not only acted as a watch dog against abuse of power by authorities but has provided a means for articulation of public opinion on various issues facing the polity.

The Indian democracy, however, like many other developing countries, suffers from the phenomenon of rising expectations leading to a lot of unrest and corruption. Unless the government succeeds quickly in making available the benefits of development to the masses, the country is likely to see more unrest.

5.2 Economic development since independence:

After independence India, like many other developing countries, adopted the mixed economy model, with core and strategic industries under government control. The public sector was to be the engine of growth. There were many reasons for this choice, including, for example, the desire of the government to make the public sector take charge of important industries, the reluctance of the government to entrust the private sector with management of strategic industries, and the unwillingness of the private sector itself to cough up the massive investment needed in industrial infrastructure. The model did work well in the first two decades of economic development and the country was able to establish a reasonably good infrastructure base.

However, by the early eighties it became apparent that the economy was heating up and needed much more investment than the government was able to provide, as many state-owned enterprises were not performing well and, instead of being an asset to the government, were proving to be a liability. These economic compulsions and the desire to register a faster economic growth, brought about a change in government policy, ushering in the era of economic liberalisation. Licences and

controls were gradually removed and the private sector was encouraged to invest in industries which were, till then, reserved for the public sector alone. The challenges and competition generated by globalisation hastened this process. Today the country has a reasonably liberal economy with many areas where 100% foreign direct investment is permitted, including the shipping industry.

With liberalisation there began the process of restructuring. The emphasis was on providing those state-owned enterprises that were not performing well with more autonomy and requiring them to run on commercial lines so that they could generate profit. The conditionalities attached to multilateral and bilateral assistance by donor agencies was also a catalytic factor in this process. Because the initial results of implementation of new public management philosophy in the UK, New Zealand and the US were encouraging, the donor agencies pitched for these reforms. Restructuring was insisted upon in many industries as a condition for international assistance. These included several in the infrastructural sector, in particular the power utilities (State Electricity Boards) where maximum state resources were locked in before any financial assistance could be considered.

What is being argued here is not that the public sector is inefficient per se. In fact some of the best run companies in India are in the Public Sector (e. g. the National Thermal Power Corporation, which is credited with having received the largest amount of assistance from the World Bank for its expansion programme because of its excellent track record). However, the majority of utilities in the states have suffered from a lot of political interference directed at short-term political gains. A classic example is that of electricity utilities forced to supply power free of charge or at highly subsidised rates, by parties in power so as to win over the rural constituency and thus bleeding these utilities to bankruptcy and making them survive on bailout packages from government. Another issue has been a tendency to treat these state-owned enterprises as a sanctuary for jobs much in excess of the requirement. In a country with a huge population and limited job opportunities resulting from slow

industrial growth this power of patronage has been misused by all parties in power to the detriment of economic performance.

The restructuring that has taken place addresses these problems. The whole idea is first to improve the functioning of the public sector, and where it is not found feasible, privatisation has been pursued. There has been both horizontal and vertical 'unbundling' of public monopolies, with each segment becoming a profit centre. The departmental undertakings are being corporatised, with more independence so as to make them perform as autonomous commercial ventures. One hundred percent government ownership of many companies is being diluted in favour of the private sector so as to infuse commercialism, professionalism and talent from the open market. The public sector-owned Shipping Corporation of India, the largest shipping company in the country, is offloading its shares to the private sector. The ports are being corporatised with a substantial amount of autonomy. Many activities that have previously been carried out departmentally are now being contracted out to reduce costs. New partnerships are being tried.

The two most common tools applied have been corporatisation and privatisation. There has been some contracting out and use of partnerships as well. There has, however, been stiff resistance to attempts to privatise by the public sector unions, mainly because of the associated downsizing of the work force. If privatisation is to succeed, it is this area that needs attention. If government can come up with an attractive alternative, that can effectively utilise the services of retrenched labour, it will go a long way in making privatisation a more attractive option as a tool of restructuring. Some countries like Bolivia in Latin America have had a positive experience in this regard (Adamolekun, 1999).

5.3 Indian Shipping Industry:

India holds 17th rank amongst world maritime nations in terms of GRT. There are 102 Indian shipping companies/shipowners, including the Shipping Corporation of India (SCI). SCI owns a diversified fleet of 112 vessels with a gross registered tonnage (GRT) of about 3 million. Besides SCI, all the private shipping companies together own a fleet of about 400 ships with a total tonnage of about 3.5 million GRT. Shipping industry has been one of the largest foreign exchange earners/savers. The share of Indian shipping in the overseas sea borne trade of the country has been around 30% during the past ten years (Ministry of Shipping, 2000).

5.4 Maritime administration in India

As indicated earlier the federal Ministry of Shipping has been assigned the over-all responsibility for the formulation and implementation of policies and programmes for the development of maritime transport. The Ministry manages these activities in accordance with the provisions of the Merchant Shipping Act, 1958 and other subordinate legislation enacted to give effect to the provisions of this Act, and also with provisions of international conventions enacted by the International Maritime Organisation and ratified by the country.

The Act broadly lays down the legal regime governing all activities relating to maritime transport. The Act also provides for the office of the Director General Shipping (DGS), the main job of which is to regulate the entire maritime transport industry as per the provisions of the Act, and implement the policies and programmes formulated by the Ministry in fulfilment of its mandate under the Act. While implementing the programmes, the DGS maintains a close interface with other organisations like the Coast Guard, Navy, National Shipping Board, Ministry of Environment etc. The separation of delivery from policy is not as clear in practice as it is in countries such as the UK, Australia and France. Other major federal Acts

having a bearing on maritime administration in India are those relating to Ports, Coast Guard, multi-modal transportation and Environment.

The responsibility for management of maritime affairs in India is thus distributed across a number of government bodies. While the Ministry of Shipping is the nodal institution for all matters relating to maritime transport, the nodal organisation for protection of the environment is the Ministry of Environment and Forests. However, the responsibility for the protection of the marine environment in the Indian maritime zone has been assigned to the Coast Guard under the Ministry of Defence. Search and rescue and anti-piracy operations are also entrusted to the Coast Guard which delivers these services on its own without depending on any contractual arrangement with private sector companies as in many developed countries such as Australia and Canada. While carrying out its responsibility, the Coast Guard acts in close co-operation with the Ministries of Shipping, Defence and Environment. Oceanographic research is carried out by the Department of Ocean Development.

While registration of fishing vessels, in addition to registration of merchant ships and associated administrative obligations, remains with the Directorate General of Shipping, all other matters relating to the fishing industry are under the Ministry of Agriculture. The National Shipping Board, having representation from all stakeholders, such as ship owners, workers, shippers etc. is also an advisory body to the government. Overall co-ordination of all maritime affairs is ensured by inter-departmental meetings and periodic consultations among the various organisations. In case of disagreement between organisations, matters are resolved by the Cabinet Secretariat. An organisational chart of the Maritime administration in India may be seen at Appendix.

The office of the DGS is essentially the Maritime Safety Administration which has an important and nodal role in the over-all maritime administrative arrangement. The main responsibilities of the DGS are:

- i. to advise the Ministry on all matters relating to development of Indian Shipping,
- ii. to ensure the implementation of policies formulated by the Ministry,
- iii. to discharge its obligations as Flag State implementation authority and Port /Coastal State Control authority, and implement various international conventions relating to safety, prevention of pollution of the marine environment and other mandatory requirements of IMO,
- iv. licensing and chartering of ships
- v. education and training of seafarers through the training institutes under its jurisdiction and ensuring standards in those institutes being run in private sector
- vi. regulation of the employment, and welfare of seamen,
- vii. drafting maritime legislation, in consultation with legal experts, to which approval of Parliament is obtained by the Ministry and
- viii. investigations into accidents (Investigations into accidents is thus not under an independent agency as in Canada, the UK and Australia).

Under the current arrangements, a number of statutory functions under the Merchant Shipping Act have been delegated to those classification societies that have been authorized by the Indian government to undertake inspections and issue of interim certificates for various types of surveys of cargo ships. However, like many other countries, the inspection and issue of certificates relating to passenger ship surveys, cargo ship safety equipment surveys and international oil pollution prevention certificates are carried out by the Mercantile Marine Department, which is the field office of the Directorate General of Shipping (Ministry of Shipping, 2000).

The Directorate General of Shipping (DG Shipping) comes within the purview of Section 9 of the Merchant Shipping Act, 1958 and is the main regulating authority of Indian Shipping Industry. However, with increasing macro-level deregulation of the industry as a result of the liberal economic policies of the government, its role has been diluting. DG Shipping is also responsible for issuing licences to Indian flag

vessels for operating on both international and coastal routes, as well as for the licensing of vessels which are chartered by Indian citizens, including vessels flying foreign flags. The MS Act also empowers the body to delegate survey work on Indian ships to the Indian Register of Shipping (IRS).

The Director General of Shipping has a number of allied offices and institutions under his administrative control. These include the Mercantile Marine offices, training institutes – (e.g. T. S. Chanakya, the Marine Engineering & Research Institute, and the Lal Bahadur Shastri College of Advance Maritime Studies and Research), rating training establishments, shipping offices, seamen's employment offices, seamen's welfare offices and regional offices.

All aids to marine navigation in coastal and oceanic waters are provided and maintained by the Directorate General of Lighthouses and Lightships which is also organised on the lines of the Directorate General of Shipping.

5.5 Analysis of the strengths and weaknesses of Indian maritime administration:

The strengths and weaknesses of any administration may be assessed by examining the factors which have helped the administration to achieve its objectives, and, those without which, performance and achievement would have been better. From this point of view, the Indian Maritime Administration comes across as a mixed bag. Starting with **strengths**, it can be said that the main strength of the Indian MARAD, like administration in general in India with its highly qualified and capable civil service, has been its **strong fundamentals** – including a **solid legal foundation** in the form of the Merchant Shipping Act which, though outdated, is very comprehensive and deals with all aspects of maritime transport. The Act, supplemented by other federal Acts, has served the industry well over the past fifty years resulting in an appreciable increase in the gross tonnage of India's deep sea and coastal fleets and diversification in related services. Revision of the Act,

incorporating new developments, should ensure that it serves the industry even better.

Another main strength is the strong and **well-defined institutional infrastructure**, touching nearly all aspects of maritime affairs and taking care of all activities including legislation, regulation, enforcement, ports, ship-building, general management and labour. The legal regime and institutions bear a strong British influence making it easier for the industry to become integrated in world shipping.

The last, but perhaps the most important strength, in the current scenario, is the success achieved by the Indian maritime administration in relation to **manpower education and training**. Today, Indian seafarers not only meet the requirements of the domestic shipping industry but also a significant percentage of the requirements of international shipping. India has implemented the STCW convention and figures in the 'white list' of the IMO. Considering the importance of trained manpower in domestic and international shipping, which brings in valuable foreign exchange to the national exchequer, the Indian MARAD is making a valuable and important contribution in further upgrading the education and training skills in the country in line with IMO guidelines. Considering that shipping is not just gross tonnage and capital investment, this is a strength India should build on, taking care to meet the challenges being posed in this area from countries like China and certain eastern European countries. Recent studies indicate that Indian officers are out-pricing themselves in comparison to officers from China and East European countries. If India is to maintain its position as a main supplier of crews to international shipping, serious attention needs to be given to these new challenges and to the policies needed to meet the challenges so as to maintain an edge in this field.

Being part of an administration characterised by traditional bureaucratic features, the **weaknesses** in the Indian maritime administration are many. These include:

(a) **Lack of functional and financial autonomy:** Being a subordinate office of the Ministry of Shipping, the Directorate General of Shipping does not have the necessary functional and financial autonomy to avoid the lengthy government approval process for even routine matters. This results in delays in decision-making and implementation of programmes. The lack of financial autonomy means that the maritime administration has to depend totally on an annual budget approved by the government and does not have any flexibility with regard to expenditure etc. The revenue collected by the administration goes to the Consolidated Fund and cannot be utilised to take care of the developmental needs of the administration, leaving no incentive to improve on its performance in revenue collection. As budget allocations are limited, many of the activities and improvements planned cannot be given effect. Lack of resources also hampers provision of state-of-the-art equipment and facilities to surveyors, which in turn adversely affect delivery of service.

(b) **Lack of commercialism:** Again, being a government department, there is no emphasis on commercialism in the functioning of the maritime administration leading to under-performance of men and material and a high cost of services being provided. Accountability and responsibility for lack of performance are non-existent. As indicated earlier, most of the maritime activities are regulated by the M.S. Act 1958 and the Major Port Trusts Act 1963. A number of provisions of these Acts do not allow operation of services on commercial lines. Many provisions of the two Acts are not conducive to operation in market-oriented economy (Ministry of Shipping, 2000). As the Directorate is not treated as a profit centre there is no incentive to rationalise revenues from the clients for profits, as all revenues have to go to the Consolidated Fund of India. There are a number of services which could be provided more efficiently by outsourcing the inputs but this possibility is not being pursued because of rigid rules and procedures which govern the functioning of government departments.

(c) Hierarchical/feudal administrative culture with an obsession with rules and procedures: The conventional administrative culture is not conducive to the modern, open and participatory style of functioning of organisations which has developed to meet the challenge of quick decision-making in the information era. The continuance of the old culture leads to sluggish decision-making and low morale. In an industry where time is of the essence hierarchies prove very costly. Studies have proved that the participatory style of flat organisations with less red tape are more conducive to speedier decision-making and high morale. Too many rules, regulations and procedures associated with traditional government restrict the ability of the administration to (a) use flexibility in the utilisation of available resources to the benefit of the organisation, (b) hire and retain trained and skilled manpower because of the unattractive remuneration levels in comparison with industry. Inflexibility in recruitment rules and regulations makes it impossible to fill vacant posts expeditiously to meet the growing pressure of work, leaving the organisation with too few people looking after too large a fleet, and diluting effectiveness in flag and port state control activities. This is borne out by the fact that at the time of independence, when Indian shipping tonnage stood at 0.19 million GT, the strength of surveyors was 40. Today, when the Indian shipping tonnage is over 7 million GT, the strength of surveyors is only 60. With the commitment of most countries all over the world to reducing all barriers to free trade as part of the WTO agreement, foreign trade is likely to increase rapidly, and unless the Directorate has the flexibility to recruit qualified manpower to meet work-load requirements, regulation and enforcement will suffer (DG Shipping, 2001).

5.6 Recommendations for improvement of Indian maritime administration:

The weaknesses of the Indian maritime administration described above are, thus, a manifestation of its inability to change according to the current management / administrative philosophy sweeping the world, with its emphasis on efficiency,

effectiveness, professionalism and market orientation. India continues to be an over-regulated country with Government involvement in activities which can almost certainly be managed better by alternative structures in many areas, with government playing the role of a facilitator – an efficient facilitator. The organisational restructuring has been tried with some success in many sectors such as power, telecommunications, IT, roads and ports as described earlier. The main driver behind restructuring in these sectors was the failure of the units to operate on commercial lines. This led to losses being incurred which in turn affected their operational viability and made them depend on government loans, which should have been utilised in more needy social sectors.

The most challenging task facing the Indian MARAD, therefore, is to try to become more efficient and effective, with considerable organisational and financial autonomy, so as to be in a position to respond quickly to the challenges of world shipping. Against the background discussed in the preceding paragraphs, incorporating the following suggestions may go a long way in improving the efficiency and productivity of the Indian maritime administration.

5.6.1 Organisational restructuring: The general feeling in the Indian maritime administration is that increased organisational and financial independence from government, and restructuring on the model of countries like the UK, may go a long way in enabling it to be more efficient and effective. The lack of flexibility in organisational functioning under the government set-up, with emphasis on rules and regulations, does not suit the requirement of the shipping industry, which is primarily market based. There is reason to believe that switching over to an organisation with adequate functional independence could bring about the desired improvements.

Following the recommendations of the Shipping Policy Committee (Ministry of Shipping, 1998) an exercise has already been initiated by the government in this direction to restructure the organisation of the maritime administration. One of the

leading consultant organisations in the country, the Administrative Staff College of India has been given the contract to do a study and suggest the most suitable organisational structure for the maritime administration which can meet its requirements. The consultants will have to make an assessment on the basis of a SWOT analysis to suggest which type of organisation will best serve the needs of the maritime administration in 21st century, information technology driven, industry. The suggested structure should enable the administration to meet its obligations effectively in the context of increasing demands being placed on it by a rapidly changing international scenario. The consultants also need to take into account the experience particularly difficulties being encountered by the organisations such as MCA of the UK, AMSA of Australia and Swedish maritime administration in functioning as an independent agency and take care to suggest measures to overcome those in Indian circumstances.

What is required is that the MARAD should have all the statutory powers required by it to discharge its functions efficiently and effectively without waiting for approvals from the government. Broadly, the two model organisations tried so far in the country for autonomous functioning are corporations under the Companies Act and autonomous societies under the Societies Act. These organisations provide for a board of directors/governors capable of taking most of the operational decisions independently and have been found to be better equipped to deal with market driven industries. A sufficient amount of professionalism can be injected by inducting expert representatives from the government, private sector and academic sector to take care of the specific needs of the organisation. Many corporations have been provided further independence from government functioning through the route of Memoranda of Understanding under which the mutually-agreed targets of performance are established between the two parties. The MOU lays down specifically the targets to be reached, and other parameters against which the performance of the companies is to be judged by the government.

While on the question of organisational restructuring, an examination of various organisations involved in maritime administration indicates that, while **the regulatory functions of the Directorate General of Lighthouses and Lightships may be merged with DG (shipping)**, the provision of **services like navigation aids, V.T.S. communication etc. may be passed on to the ports as is the trend all over the world.** It will not only make MARAD leaner, but will bring about better co-ordination of operations and better delivery of service.

Another important change that needs to be considered is the **transfer of the Coast Guard from the Ministry of Defence to the Ministry of Shipping.** The rationale for this proposal is that most of the peacetime activities of the Coast Guard such as SAR, pollution prevention and activities relating to prevention of piracy fall within the ambit of responsibility of the Ministry of Shipping. Guarding the coast is not only against enemy ships but guarding economic interests such as merchant shipping, fishing and protection of environment. More importantly, enforcement of SOLAS and MARPOL is the responsibility of maritime administration, and transfer of the Coast Guard under the Ministry of Shipping will ensure more effective enforcement of these important international instruments.

Another important change that is necessary is the **transfer of responsibilities relating to protection of the marine environment to MARAD from Ministry of Environment and Forests.** Considering that MARAD is the nodal organisation to ensure implementation of MARPOL and is always in touch with what is happening in the country's waters through interaction with visiting ships, particularly those carrying oil, this function will be better discharged by MARAD with suitable inputs from Ministry of Environment and Forests and Petroleum.

5.6.2 Financial autonomy: Financial autonomy goes hand in hand with functional independence. As the management is accountable for the performance of the company under the broad terms of agreement with the government, there is emphasis

on achievement of results. The MARAD should have financial independence too, with powers to decide about revenue generation through user charges and fees and levies from surveys in tune with international practice. As the MARAD will be empowered to charge user fees and survey fees in line with the international rates and practices it will be financially self-sufficient and be able to take a more proactive role in its developmental activities, while keeping in view the requirements. **The experience of countries like Sweden and Australia may be a good guide here. As lack of financial resources is a big problem in developing countries, priority needs to be given to suggestions for raising revenue through user charges and other levies as suggested above.** The government budget may be more gainfully utilised in providing those services in which possibilities of revenue generation are limited such as in the social sector. Care, however, needs to be taken to ensure that the increased responsibility towards those clients who are paying the fees, does not come in conflict with the broader public service functions of the organisation.

Bestowing functional and financial independence, with adequate powers, will not only bring about **professionalism in decision making**, but usher in a **commercial ethos** leading to better **financial discipline** in the functioning of the administration.

5.6.3 Involvement of the private sector etc: While addressing the problem of generation of adequate resources to take care of the developmental needs of MARAD and optimisation of expenditure, arrangements like **private sector participation wherever possible, contracting, partnering** and involvement of **voluntary organisations** to provide services where feasible, should be explored as is being done by many developed countries like Canada, the UK, Germany etc. The association of fishermen in search and rescue saves the Canadian government an appreciable amount of money which they would have to spend if these services were to be provided by Canadian government organisations only. The functional and financial autonomy discussed in the preceding paragraph will help adoption of these concepts for better results and client satisfaction in a more economical manner.

Considering the long coastline India has, partnerships like this may be very useful and economical. India also has a well developed non-governmental sector, particularly in the field of environment protection. Harnessing these services for protection of the marine environment may be very useful.

5.6.4 Management of human resources: is another area which would be managed in a more efficient and effective way by functional and financial autonomy, as the MARAD would have more **flexibility in contracting the services of experts** under terms which are not possible at present because of government rules and regulations. Involvement of classification societies, with proper monitoring, in carrying out surveys and inspection, for example, will take care of the problem of shortage of professionals in the maritime safety administration in India. Presently, the role of classification societies is limited because of legal restrictions.

5.6.5 Functional cohesion: The principal bodies in maritime administration described earlier indicate a multiplicity of organisations. However, **functional cohesion** among these organisations leaves much to be desired. Presently, this co-ordination is being ensured by the Cabinet Secretariat at the inter-ministerial level. However, the Cabinet Secretariat being a very busy and formal body cannot spare its attention for routine problems. There is, therefore, **a need to have an inter-ministerial standing co-ordinating committee** with representation from each ministry/department involved in maritime affairs. The committee may meet periodically to sort out problems arising out of the day-to-day functioning of the maritime administration.

The need for the committee would be all the more necessary with the maritime administration acquiring autonomy, since the benefit of government proximity will not be that readily available and the restructuring exercise should take this factor into account and provide for mechanisms that address this problem as suggested in paragraph above. Here the successful **examples of the Administration de Synthese**

of France and the MARAD of Sweden in ensuring co-ordination / cohesion is worth considering.

5.6.6 Introduction of state-of-the-art technology: Shipping is a high technology industry and application of state-of-the-art technology is necessary in order to remain competitive in all relevant fields like construction, operation, navigation, communication etc. The Indian MARAD needs to create an environment in which application of technology in every field, including communication, is ensured. The Indian MARAD also needs to seriously address reducing time for inspections / surveys and turn around time at the ports as is the practice in many developed countries. Commercialisation of various activities will go a long way in increasing productivity in all areas. Also, if facilities like 'Equasis' are to be utilised for improving efficiency of Port state control, an efficient computer network is one of the first and foremost requirements, as is the computer literacy of the personnel using it.

5.6.7 Achievements of results and client satisfaction: The emphasis on rules and regulations and procedures, a common characteristic of traditional bureaucratic administrations, has to give way to achievement of results and satisfaction of customers/clients. Restructuring towards functional and financial autonomy from government is not sufficient. What is needed is reorientation in the outlook of management to regard consumer/clients as the 'king'. It has to be borne in mind that the whole movement of new public management began as a result of the dissatisfaction with the indifferent way government organisations were performing or were delivering the services. The focus of the service should be client satisfaction.

5.6.8 Updating of maritime legislation: Though not directly a part of new public management, updating of maritime legislation is essential to bring about those changes in law which are necessary for the enabling environment considered essential for application of NPM principles. The whole existing legal regime was

enacted to serve the traditional bureaucratic model of administration with many checks and balances and rules and regulations to ensure adherence to standards and impartiality. As we saw in Chapters two and four, results and performance were lost sight of in the quest for adherence to rules and procedures. What is needed is a thorough overhaul of the legal regime to ensure that it provides the right kind of environment for organisations to realise their objectives and results.

Though some amendments have been made in various Legislative Acts to take note of important initiatives towards liberalisation of the economy and application of NPM philosophy in the country at the macro-level, not much has happened in MARAD because of the outdated Merchant Shipping Act. The Indian MARAD has a long way to go to update its archaic legal regime. There is a proposal to bring about comprehensive amendments to reflect the latest developments in the field of safety, environmental protection, multi-modal transportation, communication and admiralty law. This, however, needs to be expedited. The government will do well to appoint legal consultants of international repute to help in-house legal experts to update the out-dated law and ensure that it takes note of the need of organisational changes to ensure the efficient and effective functioning of MARAD and the specific requirements of domestic and international shipping in information technology driven industry in the 21st century.

5.7 Summary:

The Indian MARAD thus comes across as an administration with predominantly traditional bureaucratic features and the associated disadvantages. However, given its strong fundamentals and its trained manpower, there is a lot of potential for improvement. As the economy of the country is growing fast and becoming increasingly integrated into the world economy, trade is likely to grow. The MARAD of the country should, therefore, be efficient and progressive and act as a facilitator

in providing a conducive environment to the domestic and international shipping industry to develop so as to meet the requirements of the country and should also be viewed as efficient and friendly by visiting foreign ships. **There is, thus, a strong case for reorienting the Indian MARAD on the lines of new public management principles, as they appear to be addressing the very same problems for which the Indian maritime administration is seeking solutions.** The results of application of new public management philosophy so far have been, by and large, encouraging in western countries, and, nearer home, in other infra-structural sectors. This should give hope. **Successful application of these principles will not only provide the right administrative philosophy with emphasis on efficiency, effectiveness, client satisfaction and empowerment, but also make available the resources so very essential for improvements of maritime administration in India.** Care, however, needs to be taken to address negative fallout of the application of some of the tools like privatisation and associated retrenchment. If these precautions are taken, **application of new public management principles offers hope for improving maritime administration of India and other developing countries.**

Chapter VI

Conclusion and Recommendations

6.1 Conclusions:

The discussion in previous Chapters brings out clearly that maritime administration has to be efficient, effective and economical to serve the needs of the shipping industry which is dynamic and market driven. The discussion also argues strongly that the **organisational structure and the policies of maritime administration should be such so as to meet the requirements of the industry.**

As the administrations that were based on the traditional bureaucratic style were found to be failing to meet the expectations of the people and governments alike in the industrialised countries, a lot of reforms were introduced during the 1980s and 1990s which applied the principles of private sector management and economics to the management of the affairs of government. Though it is too early to say that these reforms have been an unqualified success, prima facie, there is evidence to show that these have had positive results, and the economies and polity in these countries are better than they were.

There is no guarantee that the model of reforms which succeeded in developed countries will succeed in developing countries too. There are strong political, administrative and cultural traditions in developing countries which are different from the environment in the industrialised countries. Added to this is the fact that institutions considered necessary by some for the success of NPM type reforms have not had an opportunity to grow in many developing countries. The absence of a strong private sector and market mechanism to share the responsibility make things worse. In fact the consequences of application of many of the elements of NPM such

as privatising, downsizing and other cost-cutting measures introduced in some countries in Latin America, South-East Asia and South Asia have led to higher rate of unemployment in the short term. But this dislocation is described as a temporary phenomenon and should disappear as the economies of these countries stabilise as a result of gains in efficiency and application of commercialism in the operation of the public sector which is the backbone of the economy of these countries.

An analysis of the problems of maritime administration in developing countries in Chapter IV indicates that NPM has a lot of relevance to the problems of developing countries. The main challenge facing the maritime administrations in these countries is the lack of adequate resources, unsatisfactory performance of the public sector, and ineffective governance and a sense of helplessness to tackle the problems. As discussed in earlier Chapters **a judicious application of the NPM agenda will go a long way in seeking solutions to the problems being faced by the maritime administrations of developing countries.**

What is needed is a cautious approach in adopting these reforms, taking care to ensure that their introduction does not create more problems than it solves. It can be done by anticipating the consequences of specific measures to be introduced, e.g. the problem of retrenchment following privatisation, and planning to deal with it appropriately by providing alternatives. **Given the commitment of political and administrative leadership and the ability to improvise so as to suit local conditions, new public management should succeed in bringing about improvements in administration including the maritime administration of developing countries.**

Peters is of the view that NPM may even be more helpful than it was in the countries of its origin. The MARADs of developing countries need not reinvent the wheel but should benefit from the lessons learnt by countries which have gained from the

experience and improved their performance for the achievement of the goals of their national economic and maritime policies.

6.2 Recommendations:

Since this dissertation concludes that, on balance, NPM based approaches are likely to aid developing countries in fulfilling their maritime administration responsibilities, it is recommended that developing countries:

- (a) Undertake a comprehensive **examination of the strengths and weaknesses** of their maritime administrations **and explore the possibilities of potential application of NPM** taking into account the unique political, economic, and cultural characteristics of the countries concerned.
- (b) Identify those programmes where continued involvement of the government is unnecessary, and take **initiatives to transfer those to the private sector. Non-core functions, which can be performed more efficiently and effectively by the private sector**, may also be contracted to it.
- (c) Where a continuing government interest and involvement is considered necessary, **examine legal and other means by which the governance structure of the programme in question may be empowered to operate with increased autonomy**, and in an increasingly commercial environment, while at the same time ensuring that the broad public interest remains protected.
- (d) As a means of supporting the financial challenges generally faced by governments of developing countries, **assess the potential for preferably full, but at least partial, cost recovery** provided by the maritime

administration. **Also assess the feasibility of introducing mechanisms to ensure that revenue generated by user charges may be retained by the maritime administration for reinvestment in the programmes it provides.**

- (e) Where the delivery efficiency and effectiveness of elements of a programme may be enhanced by involvement of private sector or volunteer sector, but where a continuing general government interest and involvement is also necessary, **examine the merit of entering into partnerships with such entities, ensuring that costs, risks and benefits are appropriately shared.**
- (f) Identify the steps and associated resources necessary to **undertake a comprehensive modernisation of the country's maritime legislation.**
- (g) Examine **how the maritime administration can be made an efficient facilitator** and how it can ensure effective and meaningful monitoring and supervision of various activities and services.

It is the conclusion of this dissertation that adoption of the above recommendations will greatly assist developing countries in guiding the evolution of their maritime administrations.

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**Use of New Public Management in Improving Maritime
Administration in developing countries – a case study of India**

Drawing from the public choice theory, from the new institutional economics and from recent management theories, NPM seeks to apply market principles to government administration, with an emphasis on competition, contracting and customer orientation. It also emphasises merit-based recruitment and promotions, and increased autonomy for managers, with corresponding responsibility, performance related pay and continuous skill development and upgrading. There is also an emphasis on performance measurement with particular attention to the delivery of services to the people.

Also, considering the fact that the main weaknesses of the Indian MARAD are the organisational/system bottlenecks and resource constraints conferring financial and functioning autonomy will go a long way towards achieving the proverbial three Es – efficiency, economy and effectiveness. (lack of commercial orientation and efficiency in delivery of service, and) (human resource management and in trying alternate structures for the achievement of organisational objectives) autonomy, commercial orientation and other salient features of new public management

2.4.9 The new contractualism: Under what has been called ‘contractualism’ any conceivable government service can be provided by government, either externally through private or voluntary sector providers or internally with other parts of the government. The essence of explicit contracts is to separate the ‘purchaser’ of

government services from the 'provider', with the purchaser being the party who decides what will be produced and the provider the party who delivers the agreed outputs and outcomes.

2.6.2 The argument of most writers is that the new public management has effectively supplemented the traditional model of public administration and that the public sector in future will inevitably be managerial in both theory and practice. While this new model may cause some problems and pose some dangers, the benefits are likely to be far greater than the costs.

high transportation costs are impeding the development of small island developing countries, for whom UNCTAD plays a monitoring role within the UN system.

or the developing countries, the latest figures from UNCTAD confirm the remarkably steady share of sea borne trade they

have maintained during the 1990s. Despite the fast growth until recently of much of Southeast and East Asia, and the fluctuating^{2.13} The critics have been divided over the benefits of privatisation. While some have hailed it, others have described as selling of family silver. Other reforms included subjecting activities provided by government to competitive bids from outside known as 'market testing' and extending these initiatives to civil service by a series of efficiency scrutiny, and financial management reforms intended to make

officials more directly accountable for the effective management of their responsibilities.

2.1.2 The New Public Management has come to dominate the thinking about public sector reforms during the last two decades. New public management reforms have been described as common response to common pressures – public hostility to the government, shrinking budgets, and imperatives of globalisation. But what was the background of emergence of the ideas of new public management?

2.10

performance of the African and Latin American economies, statistics show that over this period the developing countries have maintained an approximate 50 - 51 per cent share of cargo loaded, and 26 - 27 per cent share of cargo unloaded. The heavy weight of the oil trade in the shipping to and from developing countries is key to this statistical stability.

Their fleet is ageing and needs replacement

Fleet statistics pertaining to the group of small island developing States are distorted by the widespread offer of

open-registry facilities by some countries in this group. True ownership of tonnage remains minimal. Even though their

foreign trade is nearly exclusively dependent on the availability of maritime transport services, their participation therein is

negligible

High freight costs due to inefficient maritime transport and port infrastructure

Efficient maritime transport systems and port infrastructure are particularly important for small island developing States.

Current handicaps include high distribution costs, lack of reliable shipping services, expensive transshipment charges,

inadequate port facilities, weak maritime administration and the absence of economies of scale when negotiating freight

rates with shipping lines. Freight costs as a percentage of total import values can be as high as 11 per cent, compared

with 4.2 per cent for developed market-economy countries and 8.3 per cent for developing countries as a whole. The

more remote small island countries incur even higher freight costs, ranging from 12 to 18 per cent of import value.

Restructuring trends in the international liner shipping industry are another factor affecting the transportation capabilities

of many small island developing States. Over the last decade, agreements between large container operators have

resulted in a concentration of services. This has created economies of scale for them, and encouraged the expansion of

hub-and-spoke service patterns between major trading areas.

For small island developing States, however, the consequence has been an increased need for transshipment port

services, the acquisition of vessels with container-lifting capabilities, investment in electronic data interchange (EDI)

technology and the training of management personnel. Without the necessary investments in infrastructure and

technology, the prospects of many small island developing States to trade effectively, and sustain development, will

diminish.

Project Description:

The primary objective of the capacity/needs matching exercise is to provide fora to the governments

and private sectors of developing countries to identify and match their technical cooperation needs in

specific areas, with available capacities of other developing countries. The premise of these exercises

is that capacities exist among developing countries which can and should be harnessed to address the

development needs, or constraints, of other developing countries. These exercises are initiated by

governments of developing countries that express an interest to host them. They generate a number of

activities which meet the needs of the participating countries within the framework of a compendia and

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In this chapter we have discussed the Institutional and regulatory framework in which the Indian shipping industry functions.

Merchant Shipping Act, 1958 provides a basic legal framework for governing the Indian shipping industry.

Regulatory institutions

Ministry of Surface Transport

Under the Constitution of India, Merchant Shipping is a central subject and is being dealt with by the Ministry of

Surface Transport (MoST) of the Government of India. The Ministry deals mainly with the larger issues relating to policy and legislation while all executive matters relating to merchant shipping are dealt with by the Directorate General of Shipping.

Directorate General of Shipping

Directorate General of Shipping (DG Shipping) comes within the purview of Section 9 of the Merchant Shipping

Act, 1958. It functions under MOST and is the main regulating authority of Indian Shipping Industry. However, with increasing deregulation of the industry, its role has also been diluting.

DG Shipping is responsible for issuing licenses to vessels for operating on both international and coastal routes, as well

as for licensing of vessels which are chartered by Indian citizens, including vessels flying foreign flags. MS Act also empowers the

body to delegate survey work of Indian ships to the Indian Register of Shipping (IRS).

The Director General of Shipping has the following allied offices and institutions under his administrative control:

- Mercantile Marine Department
- Training Institutes - T. S. Chanakya, Marine Engineering & Research Institute, Lal Bahadur Shastri College of Advance Maritime Studies and Research

- Rating Training Establishments
- Shipping Offices
- Seamen's Employment Offices
- Seamen's Welfare Offices
- Regional Offices (Sails)

i-maritime - Research and Information Division 25
Regulation of Indian Shipping

Structure

* The boxes under the dotted lines are the allied offices of DG Shipping.

The DG Shipping also has under his administrative control the First Secretary (Shipping), High Commission for India

in London, to keep liaison with International Maritime Organization (IMO).

The MOST is planning to restructure the DG Shipping and make it into an independent statutory or autonomous

body, with powers to regulate and develop the shipping industry.

Mercantile Marine Department

The functions of MMD include survey of ships, safety measures at sea, registration of ships, shipping casualties and

examinations for grant of certificates of competency to seafarers. In the discharge of their duties, the Principal Officer and the

other officers are subject to the administrative control of the Directorate General of Shipping.

Mercantile Marine Department (MMD) has offices at Bombay, Calcutta and Madras.

The subordinate offices at Jamnagar

and Mormugao are under the Principal Officer of Bombay, at Cochin, Visakhapatnam and Tuticorin are under the Principal

Officer of Madras and those at Port Blair and Haldia are under the Principal Officer of Calcutta.

Indian Register of Shipping

Indian Register of Shipping (IRS) has been authorized by the Indian government to carry out surveys such as Assignment

of International Load Lines, and for the issue of Cargo Ship Safety Construction and the International Oil Prevention (OPP) certificate.

While the certification of the above is mandatory, it is not a stricture on the Indian shipping companies to get their vessels classified under IRS.

The objective of IRS is to evaluate, assess and certify quality management systems in the shipping industry. Further, the

organization establishes standards and formulates rules for the construction and maintenance of ships, amphibious installations,

marine equipment and industrial and general engineering equipment.

IRS has classed over 700 ships since the time of its inception, with the gross registered tonnage (GRT) reaching 7.2 million

tonnes. The organization has now diversified into various other activities and expanded its scope of services.

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Previously the International Classification Societies including Lloyds Register of Shipping, NKK of Japan and American

Bureau of Shipping could issue International Load Line certificates to Indian flag vessels. The government withdrew this permission

in the mid-90's and instead has given exclusive authority to IRS to issue such certificates to Indian ships. In addition to

certification, most of the Indian shipping companies get their vessels classified under Indian Register of Shipping simultaneously.

However, these ships are also classified under a foreign classification society, the reason being that several of these

ships are operating in international waters; if they have to take intermediate surveys, IRS would not be able to carry these out at a foreign port. Further, IRS is still not a member of International Association of Classification Societies and hence enjoys lower acceptability. The government feels that Indian Shipowners could get IRS services at a much lower rate than those charged by foreign societies.

In any case, we believe that the government must leave the industry free to choose whichever agency it wants to for load

line surveys, consistent with its commitment to liberalization and deregulation. It must intensify its effort to market its services to both Indian shippers and others and compete with other classification societies of international repute in respect of both quality and cost of service.

In order to maintain acceptable standards and provide world-wide coverage for its services, the IRS has entered into

agreements of mutual cooperation with all major International Classification Societies with arrangement of survey all over the world.

National Shipping Board

National Shipping Board is a statutory body set up under the Merchant Shipping Act, 1958 to advise the central government

on matters relating to Indian shipping.

The board consists of six members elected by the Parliament, four by the house of the people from amongst its

members and the other two by the council of states from amongst its members. The Central Government may appoint to the board other members to represent Central Government, ship owners and seaman.

Ship Acquisition Licensing Committee

With the abolition of SDFC on April 3, 1987, the government constituted a Ship Acquisition Licensing Committee

(SALC) under the chairmanship of the Secretary, MOST, with representation of various concerned ministries and agencies.

This body was assigned the function of sanctioning approvals to applications for acquisition of ships, by private sector

shipping companies. The acquisition proposals of the public sector SCI, were kept away from the purview of the SALC, and

were to be processed directly by the MOST with the Public Investment Board (PIB) and the Cabinet Committee on Eco-nomic

Affairs (CCEA). Similarly the ship financing function, which was within the domain of the SDFC, was taken over by

SCICI.

SALC in effect was therefore functioning as capital goods licensing committee for ships purchased from abroad by

private sector shipping companies. No separate import license was required for purchase of a ship from abroad by any company.

The approval of MOST on the basis of SALC's recommendation, constituted the due authorization for the purchase.

With the budget of 1992-93, foreign exchange is no longer earmarked for ship acquisition and the shipping companies,

which want to acquire ships, have to go to the open market and compete with other companies requiring foreign exchange for

financing their capital imports. Prior to 1991-92, the SALC used to conduct periodical assessment of the demand of the different

types of ships for carrying the national cargo. Approvals given by the SALC for acquisitions were supposed to be related to this

demand and supply balance. Earlier, sale of ships which did not complete their prescribed economic life was prohibited, and

chartering out required government permission. With the liberalization in respect of sale and chartering out of the Indian flag vessels, shipping has been exposed to market forces.

The situation that developed in 1991-92 necessitated a series of policy relaxation/ reforms, relating to ship purchase,

sale authority of Director General of Shipping under M. S. Act, etc. Approvals, supposed to be accorded by the SALC to keep the supply demand equation, have thus lost their relevance, because ships acquired for the national fleet can freely be sold or chartered out. As per the new Export Import policy effective from April '97, certain categories of vessels have been placed under

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Acquisition of vessels on “restricted” list by ship owning companies:

Acquisition of vessels on “restricted” list by ship owning companies will be considered under the automatic approval scheme subject to following conditions:

- The acquisition of ships should be in conformity with the age norms prescribed in para 2 and the second hand vessels should have a minimum of 5 years balance economic life.
- The automatic approval would be given only for special acquisition cases, i.e., where the company has identified into a mutual commitment with the owner regarding the purchase of the vessel.
- The terms of obtaining foreign exchange for purchase of the vessel would be subject to usual approval by Department of Economic Affairs.
- All the conditions under 'Import of second-hand vessel under OGL' would also be applicable here.

Training institutions

The maritime training institutes in India can be broadly classified as government maritime training institutes and private sector maritime training institutes.

The government marine training institutes include T. S. Chanakya at Bombay, Marine Engineering and Research

Institute at Calcutta & Bombay, and Lal Bahadur Shastri College of Advanced Maritime Studies and Research at Bombay.

The first systematic maritime training education in India started with the establishment of T. S. Dufferin in 1927 by

Scindia Steam Navigation Company for developing Indian seamen as Britishers had monopolized all the officers and engineers positions. In 1972, T. S. Rajendra replaced T. S. Dufferin. A shore based academy T. S. Chanakya was later set up in 1993 for providing pre-sea training to nautical cadets and this replaced T. S. Rajendra.

In 1949 the Directorate Marine Engineering Training Institute (DMET) was set up, to impart specialized training in

marine engineering. For imparting post-sea training, the Lal Bahadur Shastri College of Advanced Maritime Studies and Research was established in 1949 at Bombay.

The private sector marine training institutes commenced with the establishment of T. S. Rehman at New Bombay in

1910 and GESCO Academy in 1975 and MTI for SCI in 1987. BPT-FOSMA training institute was set up in 1992.

After the Ministry of Surface Transport issued liberalized guidelines in 1997, to encourage the private sector, many

new institutes were set up. Several short-term courses on sponsorship basis were started to fulfil the shortages of officers like

3-month course for deck-cadets and 6 months course for trainee marine engineers. Stricter IMO regulations calling for greater training of manpower, has provided a boost to the industry.

Now there are 8 pre-sea training institutes for deck-cadets, 37 (inclusive of workshops) pre-sea training institutes for

engineers, 9 pre-sea training institutes for ratings and about 46 post sea training institutes imparting training on various STCW

(Standards of Training, Certification and Watchkeeping) and modular courses.

Merchant Marine Education and Research Trust (MMERT) which provides private funds for the upgradation of marine

training facilities was set up in 1992. The members of the trust constitute, Indian National Shipowners Association (INSA) representing

Indian Shipowners, Maritime Association of Shipowners and Ship Agents (MASSA) representing foreign shipowners/ agents and

Foreign Shipowners and Managers Association (FOSMA) representing foreign shipowners. These constituents contribute US \$ 5

per Indian rating per month and US \$ 10 per Indian officer per month to the trust. It was proposed to set up an Indian maritime

university in future with the participation of private sector so as to bring all the training institutes under one umbrella.

With the maritime university not coming up, the FOSMA went ahead and set up its own training institute. Thereafter,

it has been reluctant to fund the government training institutes. Recently with INSA also deciding to stop funding the MMERT,

the future of the marine training institutes in India, which receive about Rs. 40 million annually from MMERT is in danger.

4.2.10 Development oriented leadership: The leader should be committed to the development of the entire society over which he or she rules, ensuring the formulation and implementation of policies aimed at enhancing the quality of life of all the citizens. The leaders of the success stories in Chile, China, Indonesia, Malaysia, Singapore, South Africa, South Korea and Taiwan all demonstrated strong commitment to development with clarity of vision and goals. They all consistently implemented growth oriented and market friendly economic policies with some

differences in policy options and their sequencing. Another common element was the great importance attached to the mobilisation and utilisation of the human resources, with particular attention to investment in education.

4.2.13 Consistent with the idea of the commanding role of the state, attention was focussed, on the central government in most developing countries after 4.1.1 Governance structure – heavy emphasis on state intervention: generally under developed in most of these countries in sixties and seventies when they became independent. Under these circumstances the domination of the national economies by the state was to a great extent a necessity.

independence. Sub national and local governments were generally underdeveloped. The phenomenon of one party system and military rule further increased the concentration of power and resources at the centre to the detriment of regional and local governments.

4.1.2

4.2.11 It is safe to assert that leadership matters. In sub Saharan Africa at least, the persistent development crisis and the recent phenomenon of failing state are due largely to poor leadership – leaders who are not committed to the development of their societies and who lack honesty and commitment to democracy.

4.2.12 In contrast to the cases of poor leadership and failing states, Botswana has been fortunate to have had two successive development oriented leaders since independence. This is a major explanatory factor for the outstanding development performance recorded in the country since 1970s (strong economic growth of about 8% per annum over two decades) combined with significant poverty reduction, a fairly high degree of political and economic participation, and relatively accountable and honest government.

IMPORTANT

References: E/CN.17/1999/6/Add.16

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12. Another conclusion from the fleet ownership/vessel type data is that the small island developing States need to increase their capabilities for serving their own trade. Most of the existing fleet (82.1 per cent) are registered in small island developing States offering open-registry facilities and are thus not responding to the needs of the foreign trade of the country concerned. While this focus provides foreign exchange earnings, employment for seafarers and diversification, it is not fully complementary to the trading requirements of small island developing States because most manufactured goods move by container or general cargo ships. The former represented only 5.5 per cent and the latter 16.7 per cent of the small island developing States fleet in 1997. If the vessels registered in Antigua and Barbuda, the Bahamas, Bermuda, Cyprus, Malta, Saint Vincent and the Grenadines, Singapore and Vanuatu are excluded, the small island developing States fleet of these two essential ship types (container and general cargo ships) is a minimal one.

C. Shipping industry changes

13. Restructuring trends and in particular the move towards globalization in the international liner shipping industry constitute another factor affecting the transportation capabilities of many small island developing States. Over the last decade, commercial cooperation agreements between large containership operators and a growing number of takeovers have resulted in a concentration of services. This has created economies of scale and encourages the expansion of hub-and-spoke service patterns between major trading areas. For small island developing States, however, the impact has been in terms of increasing the need for trans-shipment services, acquiring vessels with container lifting capabilities, investing in electronic data interchange technology and training management personnel. Without these infrastructure investments (mainly ships and port facilities), the ability of many small island developing

States to generate income from shipping services will be marginal.

III. Recommendations

14. The recommendations contained in document E/CN.17/1996/20/Add.4 continue to be valid and represent minimum conditions that should be fulfilled if small island developing States are to be provided with transport services necessary for balanced structural development as well as improved participation in world trade. More investment is required in infrastructure, ships and manpower. It is also necessary to upgrade legal and political frameworks and to align operational systems with international practice. In order to ensure the creation of the necessary framework conducive to foreign investment and to private sector participation in maritime transport, it is essential to harmonize regulatory instruments at least at the regional level, and to exploit existing opportunities for cooperation which could enable both local and foreign operators to access maritime markets more easily and ensure the competitiveness of small island developing States operators. International organizations should continue to provide assistance to small island developing States in these areas. Particular support should be given to regional efforts aimed at improving regional maritime transportation. Shipping

Efficient ocean shipping services are of crucial importance for the transport of the bulk of international trade flows, and hence the economic, operational and commercial aspects of maritime transport are of direct concern to developing countries dependent upon such services for imports and exports.

Objectives

To assist developing countries in increasing trade efficiency of maritime transport services serving their international trade.

Features

Advice, management assistance and training, including on-the-job training, with regard to:

Economics and management of shipping, including the feasibility of establishing or expanding national or multinational

merchant marines and shipping services, based on analysis of national and regional maritime transport requirements;

Management of shipping companies, including corporate planning and fleet operation and management;

Freight rates and conference practices, including advice on the implementation of conventions negotiated under

UNCTAD auspices, particularly the Convention on a Code of Conduct for Liner Conferences, and on the operation of freight markets;

Assistance to shippers, including advice on the establishment and operation of shippers' councils and of effective

consultation machinery between users and suppliers of maritime transport services;

Trade organization and shipping, involving for example: the use of different terms of shipment (e.g. c.i.f., f.o.b.);

relationship between size of shipment and freight costs; methods of presentation of cargoes for shipment;

Maritime administration, involving advice on the structure, tasks and functioning of national administrative units;

Private maritime law, including advice on updating and harmonizing maritime legislation at both national and sub-regional

levels, in order to provide a legal framework for more effective maritime transport.

Contributing Countries/Institutions

Norway, UNDP.

NB. This work is complemented by ITC's assistance to importers and exporters to make the best possible use of shipping services. 2.Shipping

All commercial activities relating to Shipping such as ship-owning, ship management, finance, insurance, ship-building etc., will be carried out by private individuals or companies on a laissez-faire principle.=20
Considering however that shipping is one of the essential lifelines for any nation, particularly one with a long coastline such as India, Government will promote Indian shipping and related activities with a view to helping India become a major ship owning nation, and major Indian ports the premier maritime centres of the world.

To promote shipping industry and related activities in India, Government of India will run a user friendly and competitive Register of Shipping.=20
Taxation on ships registered in India will be competitive with the major successful quality shipping registers such as Norwegian International Shipping Register and Singapore. Only Indian residents or shipping companies (Indian or foreign owned), managing ships from an Indian base, will be permitted to register ships in India.

Government of India will not practice any special reservation of shipping trade for Indian nationals or ships. Indian ports will be open to ships of all flags, except those declared belligerent by the Government of India. Ships flying the flag of all friendly nations will be free to trade with India and along the Indian coast provided they maintain proper safety and environmental protection standards in accordance with the international maritime conventions, comply with applicable Indian maritime laws and pay the applicable taxes and light and port dues. All Indian maritime laws will accord with the United Nations Convention on the Laws of Seas and other applicable international maritime conventions. Government of India will strictly enforce the international safety and environment protection standards on all international shipping operating within its territorial waters in accordance with the applicable international maritime conventions. Laws relating to local shipping will accord with the international maritime conventions but will be suitably modified to cater to local needs.

No more favourable treatment will be accorded to ships flying the Indian flag. [Government of India nevertheless reserves the right to promote Indian shipping by according a favourable taxation environment for ships registered in India. Government of India will also help in providing financial guarantees to promote Indian shipping in accordance with a clear criteria arrived at in consultation with the shipping industry.=20 This however will be done without contravening any international covenants to which India may be a party.]

MANNING OF INDIAN SHIPS

Indian ships would normally be manned by Indian residents holding qualifications approved by Government of India. Exceptions however may be made if an Indian officer or rating is not readily available when needed. In this case the foreign crew member must be properly qualified to the satisfaction of the maritime authority of India.

MARITIME ADMINISTRATION

Government of India will maintain an effective maritime administration with a view to exercising effective Flag State and Port State control ensuring proper safety and environmental protection standards on board Indian registered ships anywhere, and foreign ships when calling at Indian ports, in accordance with the applicable international maritime conventions. Flag State control will be carried out by effective monitoring of survey work which will be delegated to classification societies of good reputation. These, as a minimum, must be a member of the International Association of Classification Societies. Cost of Flag State control will be recovered through tonnage dues. Cost of port State control will be partially recovered as explained under the heading "Free Services".

MARITIME TRAINING

Government of India will promote maritime training of highest quality by exercising effective monitoring role over maritime training institutions which will be run privately. Considering that Indian officers and ratings are held in high esteem world-wide, and are a source of considerable foreign exchange for the country, Government of India will encourage maritime training in a major way. Proper control and checks will be maintained to ensure highest quality of training meeting the international maritime training standards. Bureaucracy in the approval of training courses however will be kept to the minimum and requirements in excess of international conventions will not be prescribed. In view of the large highly educated population, India has the potential to man a great percentage of the world shipping. Government of India will help to arrange easily repayable soft loans for aspiring young people wishing to take up the sea career but who are unable to afford the cost of training.

COAST GUARD SERVICE

Government of India will maintain an effective coast guard service along the Indian coast with a view to providing :-

- (i) an effective search and rescue service (including medical aid and advice) covering the area for which Government of India is responsible under the applicable international maritime conventions;=20**

(ii) an effective pollution control service with maximum help from private industry; and

(iii) an effective anti-piracy and theft control service.

Following principles will govern the above mentioned services :-

(i) All help to save life at sea will be rendered free of charge.

(ii) All services rendered to save property or for pollution prevention and control will be rendered on full cost recovery basis. No charge however will be made for anti-piracy or theft control related services.

VESSEL TRAFFIC MANAGEMENT, COMMUNICATION AND NAVIGATIONAL AIDS

Government of India undertakes to maintain excellent vessel traffic management services, radio-communication services and navigational aids along the Indian coast to the recognized international standards. Cost for such services will be recovered through the port and light dues which will be levied on all international and coastal ships calling at Indian ports. Aim will be to provide the service at no profit no loss basis.=20 Where possible, user-pay principle will be observed.

PARTICIPATION IN INTERNATIONAL MARITIME FORUMS

India will participate actively in the conferences of International Maritime Organization, International Labour Organization and other U.N. bodies related to shipping. Purpose of the participation will be to :-

- (i) promote maritime safety and environmental protection;=20**
- (ii) promote welfare of seafarers;**
- (iii) protect the interests of the Indian shipping industry; and**
- (iv) promote India=92s image in the international forums.**

Costs of participation by Government officials in the above mentioned conferences must be met from the public purse. Any participation by the industry to protect its own interest must be privately funded.

Government of India will need to maintain a reasonable administration to facilitate active and meaningful participation in the international maritime conferences. Costs for such administration must be met from the

public purse.

SHIPBUILDING, SHIP REPAIR AND SHIP-BREAKING

All shipbuilding, ship repair and ship scrapping activity in India will be carried out exclusively by the private sector without any subsidy from Government of India Government of India will exercise sufficient control to ensure safe and environment friendly practices in the above activities. Cost of the required supervision will be recovered through licensing fees.

3.Port Management

**All Indian ports will be owned and managed by private industry.=20
Government of India will exercise minimum control to ensure :-**

- (i) Proper safety and environment protection standards;**

- (ii) fair competition by involvement of reasonable number of private enterprises;**

- (iii) fair tendering process in consultation with the shipping and related industry;**

(iv) timely dredging of approach channels and other areas required for safe navigation.

(v) provision for berths, anchorages, mooring buoys and navigational aids for safe navigation, safe waiting areas and safe cargo handling.

Ports will be managed by autonomous bodies (governing bodies) which will be formed in consultation with all branches of the shipping industry.=20 These bodies will be chaired by a Government appointee and shall be charged to run the ports on fair commercial principles ensuring fair but not excessive return for the share holders. Wherever possible competition will be generated by allocating terminals to as many different companies as possible.

It may be necessary for Government of India to retain direct responsibility for maintaining common approach channels, fairways and mooring buoys. A national or local authority may be created for this purpose in consultation with the shipping and related industries. Cost for such services will be recovered, at no profit no loss basis, by levying a charge on all ships calling at the port in proportion to the ships=92 tonnage. Generally, Government will be only a manager and coordinator for such services. Actual services (e.g. dredging, laying of buoys etc,) shall be carried out by private industry on open tender basis.

PILOTAGE SERVICE

All pilotage services will be provided by private enterprises. These enterprises will have to give full account of profit and loss with a view to ensuring fair but not excessive return wherever competition is not possible. Government of India will exercise sufficient control to ensure :-

- (i) proper training, licensing and professional standards of pilots;
- (ii) timely, safe and efficient pilotage service to shipping; and
- (iii) disciplining of pilots when necessary.

Cost for the Government supervision will be levied to pilotage companies on an equitable basis through a licensing system.

SHIPPING CASUALTIES

In independent panel of investigators within the framework of maritime authority of India will investigate all serious accidents involving shipping in Indian territorial waters, and all ships flying the Indian flag (serious =3D involving loss of life, serious injury, pollution or substantial damage to a ship or a shore structure). Aim of the

investigation will be to learn lessons to avoid similar accidents in the future (and not apportionment of blame). Where serious negligence or lack of competence is involved, appropriate disciplinary action against the concerned officer or pilot will be taken. Disciplinary action may include cancellation/suspension of an officer's certificate of competency (if issued by Government of India) or the pilot's licence. Appropriate penalties will be provided for cases where accident results from reckless behavior or criminal intentions. Findings of all investigations will be given wide publicity. When foreign ships or nationals are involved, a copy of the investigation report will be sent to the foreign administration.

PORT STATE CONTROL

A minimum of 10% of all ships calling at an Indian port will be inspected by Government surveyors to ensure proper safety and environment protection standards in compliance with the international maritime conventions. Ships may be targeted on the basis of their past record, external condition, type of trade, or other factors which may be decided by the maritime authority from time to time.

All ports on the Indian coast will cooperate by making sure that a ship inspected at an Indian port is normally not subjected to another port State control inspection within 6 months of the previous inspection.

FREE SERVICES

Following services shall be provided free of charge by the Government of India :-

- (1) Casualty Investigations.**

- (2) Initial inspection under port State control. Subsequent follow-up visits to be charged on full costs recovery basis (see Note 2 below).**

Notes:

1. Above services are provided to ensure safe operation of shipping along the Indian coast with a view to discharging our responsibility in compliance with the international maritime conventions, and to protect the Indian coast from maritime disasters. The services should therefore be funded from the public purse.

2. Initial Inspection under port State control is carried out on a random basis to verify that the ship is being properly maintained in compliance with the applicable maritime conventions. No charge is justifiable for this visit. If deficiencies are found during the first visit, then the Government surveyor needs to re-visit the ship to confirm that the deficiencies have been made

good. Cost of re-visits should be charged to the ship as it is a direct service to the ship and the visit would not have been needed had the ship been properly maintained in the first instance.

Maritime Administration in India

Appendix

