

**INDIAN SHIPPING SERIES.**

**PAMPHLET No. 9.**

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**INDIAN COMMERCIAL OPINIONS**

**ON**

**THE BILL FOR THE RESERVATION OF  
THE COASTAL TRAFFIC OF INDIA,**

**INTRODUCED IN**

**THE INDIAN LEGISLATIVE ASSEMBLY**

**BY**

**Mr. SARABHAI N. HAJI, M.L.A.**

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**THE INDIAN MERCHANTS' CHAMBER,  
BOMBAY.**

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“ I am directed by the Committee of this Chamber to inform you that my Committee are in favour of the principle of the Bill introduced by Mr. S. N. Haji in the Legislative Assembly to reserve the Coastal Trade of India to vessels owned and controlled by Indians.

The main principle underlying the Bill is one which has also been recommended by the Indian Mercantile Marine Committee for adoption by the Government of India if they wanted to satisfy what they themselves have recognised as a “ perfectly legitimate ” and a “ perfectly natural desire ” on the part of the people of India. As its terms of reference indicate, that Committee was appointed to consider what measures can usefully be taken “ to create and develop an Indian Mercantile Marine.” One of the principle measures recommended by that Committee to gain the end in view is “ that the Indian coasting trade should be reserved for ships, the ownership and controlling interests in which are predominantly Indian,” as is sought to be done by the Bill under consideration.

My Committee are aware that the principle of reservation has been opposed by the representatives of the British Shipping interests entrenched in the Indian Coastal Water and by two successive Commerce Members of the Government of India. They further note that the present Commerce Member has not yet

committed himself to the down right opposition that characterised his predecessor who, if it had been possible for him, would not have even allowed the Bill to be introduced as is clear from his vehement dislike to it. Government opposition to the reservation principle seems now to be more restrained in character as Sir George Rainy stated in the Legislative Assembly on the occasion of the discussion on the motion for circulation of the Bill for opinions :

“ But I am anxious to make it clear that while Government do not oppose the motion for circulation, they do regard the objections raised by Sir Charles Innes on that occasion as very serious and very important, and unless a further examination of the subject should show that they were not well-founded, these objections would, I think, be regarded by them as very nearly conclusive against the scheme.”

Having thus modified the earlier uncompromising attitude of the Government of India, the present Commerce Member referred to one or two points which it is desirable to examine at the very start.

In course of his speech, Sir George Rainy allowed it to be inferred, if he did not actually state, that this Bill if passed, will have an unfavourable re-action upon the position of Indians in the British Colonies, where they were fighting for equality of status. It is difficult to understand why this subject was mentioned by him in this connection unless it was with a view to side-

track the main issue. The fight to obtain for Indians equality of status as citizens in the British Dominions has nothing in common with the attempt to develop an Indian Mercantile Marine by means of the Reservation of the Coastal Trade of India. Moreover, economic discrimination against non-nationals, particularly in a manner recognised by International Law, is a totally different proposition from the anti-Indian Legislation intended to turn Indian Colonials into helots of the Empire. India, it cannot be too strongly urged, has never sought to dictate the economic policy of the British Colonies nor to oppose it when calculated to help their economic growth. To give an example of a Legislative enactment similar to the one under discussion, India never objected—she would not have been justified in objecting—to the Coasting Legislation of Australia which had the practical effect of reserving the Australian Coastal Trade to the ships of the Australian Mercantile Marine. Sir George Rainy seems to have overlooked the fact that if the Bill was discriminating against any British subject as such, it would have been ruled out under Section 736 of the British Merchant Shipping Act. The Law Officers of the Crown in England, who are the highest legal authorities within the Empire, on being approached in this connection, have definitely ruled that this Bill does not contravene the relative Section of the British Merchant Shipping Act and therefore is not *ultra vires* the Indian Legislature. One would have expected that in view of this opinion of the highest legal authority available even the Government of India, who unfortunately in economic matters look at Indian problems from the point of view

of other than Indian interests, would have been well advised to desist from discouraging Indians with the bogey of retaliation when they try to conserve India's economic interests within strictly constitutional limits.

It is India's birth-right to reserve her coastal trade for her national vessels under International Law, under relative British Legislation, and even under present day Constitutional powers. Such being the case, there is no justification for the alarm raised by the Commerce Member, because no British Colony can prevent India from adopting a principle which is guaranteed to her by existing Laws. Moreover no British Colony will be led, or rather misled, to raise opposition to the Bill because no Colonial Shipping Company is at all interested in the Coastal Trade of India.

My Committee have thought it right to deal with this subject fairly exhaustively because if there was anything in the argument brought forward by Sir George Rainy in this connection it would make it necessary to examine it in the light of its extra territorial reactions. As matters stand, however, the Bill cannot possibly lead to such complications as are feared by the Commerce Member.

Another difficulty raised by Sir George Rainy refers to the definition of the Coasting Trade of India as given in the Bill wherein it is stated that "the Coasting Trade of India means the carriage by water of goods or passengers between any ports in British India or between any port in British India and any port or place in the Continent of India." Having given



this definition, the Commerce Member proceeded to say, that if this definition of the Coasting Trade of India were kept in the Bill when it was passed into Law, it would involve the breach of International Agreements to which India is a party and in particular of the Convention and Statute on International Regime of International Ports, which was concluded in 1923 and to which India was a signatory.

Now as regards the Maritime Ports Convention, it should be noted that it has reference merely to the access and use of the facilities provided by the ports, but it cannot be too strongly pointed out that this very article of the Convention itself does make an exception in the case of the two principles of reciprocity and reservation. The proposed application of the Maritime Port Convention is, therefore, unwarranted in the case of the Coastal Reservation Bill. It was no doubt true that there are a few foreign ports on the coast of India but there is nothing to show in the legislation hitherto enacted by the Government of India, that International Agreements will be broken if they were brought under Statutes passed by the Indian Legislature. For example, the Indian Merchant Shipping Act of 1923 defines a "home-trade ship" as under :—

"Home-trade ship" means a ship employed in trading between any ports in British India or between any port in British India and any port or place on the continent of India or in the Straits Settlements, or in the Island of Ceylon."

This extract from the Indian Merchant Shipping Act shows that the Government of India were indifferent to the rights of the foreign ports on the Indian Coast until the necessity for the reservation of the Coastal Trade of India became a live issue, but even granting that the foreign ports on the Indian Coast have a right to be taken into consideration, the utmost that they can insist upon is that the direct trade between two or more French or Portuguese Ports on the Coast cannot be brought under the operations of the Bill. As, however, such trade is almost non-existent and as neither French nor Portuguese ships are interested in the Coasting Trade of India, the point proposed to be made by the Commerce Member has no practical significance. In so far as the trade between foreign ports on the Indian Coast and the ports in British India is concerned, the same is to be regarded as foreign trade in which ships of any nationality can ply without any restrictions. Moreover, it is to be remembered, that both these countries, *viz.*, France and Portugal, have themselves reserved their respective coastal trades to the ships owned and controlled by their own nationals. Even this trade, that is the trade between foreign Indian Ports and British ports on the Indian Coast, is so meagre, that its exclusion from the coasting trade of India cannot possibly make any appreciable difference to the solid economic advantages, which it is proposed to obtain for India by the passing of the Reservation Bill. There is, therefore, no ground for the serious concern with which the Commerce Member regards this subject as indicated by his statement that "the point would have to be examined

how far the Reservation of the 'Coasting' Trade' would be effective for the purposes for which it is intended if it is not possible to legislate so as to include these ports on the Continent of India which are outside of British India." His further fears, that the Coastal Bill might result in a transfer of "good deal of the *enterpot* trade of Bombay to a port like Marmagoa," are rather far-fetched. Apart from the Customs Barrier the port of Marmagoa can provide neither the port nor the transport facilities of Bombay. My Committee, therefore, have no hesitation in stating that the misgivings with which the Government of India seem to approach the subject are uncalled for, and they trust that the Bill under consideration will not be sacrificed to such imaginary forebodings.

The two points discussed so far in this representation are the new ones added by Sir George Rainy to the old objections of Sir Charles Innes, which he referred to as being "very nearly conclusive against the scheme" of Coastal Reservation. Turning now to the speech of the late Commerce Member, we find that while the speech of Sir George Rainy is at least argumentative and indicates an open mind, that of his predecessor on the same subject strikes my Committee as being full of dogmatic assertions and misleading statements.

The first misstatement to which Sir Charles seeks to give currency is that Coastal Reservation means expropriation. That this is a wrong statement is clear when we remember that the coastal reservation merely precludes non-national ships from trading on the coast,

but it does not mean their confiscation. Their movements in other waters are wholly unchecked. Even so far as the plying of the ships is concerned, the Bill seeks to achieve its object gradually and by degrees.

The second wrong statement occurs, when Sir Charles says that "Reservation introduces a principle new to the British Law, new, that is to say, in the sense that it has never been acted upon except in war time." And yet the British Merchant Shipping Act lays down expressly the conditions under which not merely the United Kingdom but even the Colonies and Dependencies within the Empire might reserve their coastal trade to their own nationals. As a matter of fact, Australia, has practically reserved her coastal trade to her own nationals—an example to which Sir Charles himself referred in his speech.

His third wrong statement is that "another grave objection to the proposal (of Coastal Reservation) is that it attempts a principle of flag discrimination." Any one with the slightest knowledge of the international aspect of shipping knows, that flag discrimination is a phrase mentioned only in connection with the foreign trade of a country and not with reference to her Coastal Trade, which is her domestic preserve guaranteed by tenets of International Law.

Coming next to the arguments of Sir Charles Innes, we find that they are as misleading as his statements. His argument that India is not in need of a Mercantile Marine, because India has not a navy to defend her coasts, is no longer true as the Government

of India have already re-organized the Royal Indian Marine on a combatant basis. Such being the case it only is but right that India, like other countries, having combatant Naval Units, should also have her first line of Defence supported by a second line provided by National Merchant Marine.

That portion of the speech of Sir Charles Innes, which deals with the economic facts of India in reference to a policy Reservation, is one to which the Chamber takes particular objection. He begins this part of the subject with an unfair attack on the Indian Mercantile Marine Committee, whom he charges with not having got into contact with the economic facts of the case. Relying upon the statement in the Report, that the Committee "do not consider it possible to say at this stage whether Reservation of the Coasting Trade of India for ships which are predominantly Indian in character is likely to be beneficial to India or not, for the simple reason that there are no data at present on which a satisfactory conclusion can be based," the late Commerce Member practically charges the Committee with utter ignorance of the facts of Indian Shipping Economics, but he forgets that the Committee not only considered the question in all its aspect but were brought into close touch with all the relevant facts, both commercial and economic, in course of their deliberations from November 1923 to February 1924 during which they visited all the important ports of India and were brought into direct contact with economic facts not merely by their personal investigations but by the evidence that was tendered to them by a large number

of competent witnesses. It was not merely the prominent Indian Shippers and Merchants who supported the policy of Coastal Reservation, but practically all the organizations and associations of different trades such as the Rice Merchants' Association, The Grain Merchants' Association, Buyers and Shippers' Association, Skin and Hide Merchants' Association, to say nothing of the Indian Commercial Bodies at the major Indian ports, told the Committee with one voice, that Coastal Reservation was necessary in the economic interests of India :—

1. To prevent the monetary drain of shipping freights which in the coasting trade alone annually exceeds Rs. 10,00,00,000.
2. To provide Marine Careers for Indian Youths who have so far been kept out by British Shippers Companies on racial ground.
3. To develop the many small ports on the long coast line of India, which have so far been neglected by the foreign ship-owning monopolists, who prefer the quicker profits of the trade of the larger ports.
4. To develop the new nascent industries of India by a proper policy of freight charges and other facilities and to further the development of Indian markets both at home and abroad.
- 5 To create a fuller participation of Indian Merchants in the over-seas as well as the Coastal Trade of India.

6. To provide in the coasting ships a nucleus from which the Indian ships might proceed to carry the over-seas trade of the country.
7. To secure in the long run to Indian Trade and Commerce the benefits of a second line of defence in times of war.

The above economic facts were so prominently brought to the forefront of their evidence by the witnesses that it is unjust to charge the Indian Mercantile Marine Committee with ignorance of their subject. The extract from the Report quoted by Sir Charles Innes should not be understood to mean that the Committee had no knowledge of the past or existing data regarding the subject. They justly felt, however, their inability to comprehend what the future effects will be, when as a result of the adoption of a policy of reservation, the trade is confined to the shipping companies predominantly Indian in character, and in the inevitable difficulty of envisaging all the possibilities, the Committee were justified in declaring that it was not possible for them to say then whether a policy of reservation would turn out to be beneficial to India or not. At the same time, judging from the fact that system of reserving the coastal trade has been adopted by other countries and was still continued by them and from the evidence regarding the past and existing facts regarding Indian Coastal Trade, the Committee were so assured of the beneficial effects of their recommendation regarding reservation, that they proceeded to recommend that an adequate Indian Mercantile Marine should be created "within a reasonable period of time and not in the distant future."

"This being so, it is *our considered opinion*, that the provision of facilities for the training of Indian Officers and Engineers alone is not sufficient to meet the requirements of the case and that some further steps are required to achieve the object in view. These further steps, we recommend, should be in the form of the eventual reservation of the Indian Coasting trade for ships, the ownership and controlling interests in which are predominantly Indian."

Let us, now, examine the way in which Sir Charles Innes makes out his case against the Indian Mercantile Marine Committee. The late Commerce Member excuses the delay of his Department in dealing with the Report of the Committee on the plea that the Department took two years to study the economic facts, which, according to him, were so wantonly neglected by the Committee.

What are, however, these fundamental economic facts? First, the experience of the countries that have reserved their coastal trade. In this connection, it is remarkable to notice, that the late Commerce Member forgets the age-long experience of countries that have reserved their coastal trade, such as the United States of America, Russia, Austria, Belgium, France, Spain, Portugal, Italy and Japan—countries which have been so benefited by this policy that they still continue it. This glaring proof so weakens the case of Sir Charles Innes that he disregards the very existence of these countries. He, however, takes the example of countries, such as Chile and Australia which have reserved their coastal trade for only the last ten years in order to develop a national mercantile marine, the importance of



which was so significantly brought out during the Great War.

To take the case of Chile, the Commerce Member has stated that owing to the adoption of a reservation policy in 1922, her coasting freight rates have ruled 50 per cent. higher than they were before that date. Here the Commerce Member is singularly misinformed. In an official publication of the Department of over-seas Trade Report on the Industrial and Economic situation in Chile for 1924 by the Commercial Secretary to His Majesty's Legation, it is stated that "The Cabotaje Law" (*i. e.*, the Coastal Reservation Law) "has not benefited Chilean steamship owners to any extent. The tonnage acquired by Chilean Owners since the passing of this Law has resulted in a superabundance of vessels for the trade," which is quite a different thing from the rise in freight referred to by the Commerce Member. But probably he was led into making his statement, as the 50 per cent. higher freight is the theoretical maximum allowed under the Coasting Law. There is, therefore, no justification for misleading the members of the Legislative Assembly by the statement that the Chilean Coastal rates have gone up by 50 per cent. when the Commerce Member must have known that that rate was the maximum to which the freight could reach in theory and that as a matter of fact owing to the super abundance of tonnage referred to in the official report the prevailing rates were actually much lower.

But, after all, the best judges of the economic advantages or otherwise of the reservation measure are the Chileans themselves. No Chilean authority has

been cited in support of the statement that the Chilean Trade has suffered considerably since the Reservation policy was inaugurated. There is nothing to show that Chilean Merchants have protested against the Reservation Policy, nor that the Government of Chile have decided to withdraw the measure.

The Chilean example, therefore, does not show, as Sir Charles Innes stated that the rates of freight go up owing to reservation but it definitely proves that superabundance of tonnage and consequent lower freights follow the adoption of a policy of reservation, which the Bill seeks to secure also for India.

Let us now take the case of Australia. Much has recently been made of the failure of the Australian methods to develop a national mercantile marine. To understand the Australian position properly it is necessary to remember that there are two aspects of the Australian shipping policy: (1) referring to Coastal tonnage, and (2) Over-seas tonnage. In 1921, effect was given to an earlier Act, which by the special character of its clauses was intended to practically reserve the coastal trade of Australia to Australian ships. Simultaneously with this means of developing national shipping was adopted a policy of state ownership of ships in order to facilitate participation of Australian Ships in the over-seas trade of the country. The latter half of the scheme may be said to have been definitely abandoned after the recent sale of the Australian Government ships, but so far as the Coastal Navigation Law is concerned, with which we are at the moment concerned, it still continues on the Australian Statute Book and there is nothing to show

that it is to be scrapped or even to be modified to any remarkable degree. It is known that practically at the same time the Indian Mercantile Marine Committee was sitting in India, there was sitting in Australia a Commission "appointed to inquire into and report upon the effect of the operations of the Act (Navigation Act) upon Australian Trade and Industry." The findings of this Commission were not available to the Mercantile Marine Committee when they drew up their Report. They had, however, full cognizance of the nature of the evidence, which was being tendered to the Commission and from their Report it appears that they were even prepared for the finding, that the Australian Navigation Act had failed to achieve the desired effect, and, therefore, should be repealed. As the report of the Indian Mercantile Marine Committee stated, "it does not follow even if the Australian system has not been successful that the system we propose for the Indian Coastal Trade will not be a success."

But has the Australian Reservation system failed? In order to get an answer to this question we cannot follow a better guide than the Report of the Australian Commission on the Navigation. The Report is signed by all the seven Commissioners. Two of them are definitely hostile to the continuance of the coastal provisions. As against these two, three of the Commissioners recommend that whatever may have happened the coastal clauses of the Act should be retained. This finding is supported by the remaining two Commissioners, who opine that the provisions of the Naviga-

tion Act should be retained with modifications. Thus, 5 out of 7 Commissioners are in favour of the policy of Reservation, the slight difference in opinion between them merely referring to certain modifications of the coastal clauses. It cannot, therefore, be denied, that if the Report of the Australian Commission had been before the Indian Mercantile Marine Committee they would have been emphatic in their recommendation of coastal reservation as a policy to be adopted to develop an Indian Mercantile Marine.

It is remarkable that Sir Charles Innes, who, in his speech, does not refer to any of the witnesses before the Indian Mercantile Marine Committee and is merely content with casting serious aspersions against the ability of its members, profusely quotes only from those Australian witnesses, who strongly put before the Australian Commission the case against the coastal provisions of the Navigation Act, which evidently suited the purpose of the Honourable Member. The evidence of the pro-reservation witnesses does not naturally appear in the speech of Sir Charles Innes, but it must have seriously impressed the Australian Commissioners because, as stated before, by a majority of 5 to 2 they have declared in favour of the continuance by Australia of the policy of Coastal Reservation.

As regards Algeria, which is specifically mentioned by Sir Charles Innes as an example of economic discontent owing to the rise of freights resulting from the policy of coastal reservation, it is difficult to understand what made him hold up prominently before the Assembly the example of a small country, with a short

coastline, a few ports and a dependent position within the French Empire. It cannot be made too clear, however, that the reservation of the Algerian Coastal Trade has been ordained by the French Government not in the interests of Algeria, but in the interests of French Shipping. The example of Algeria would be opportune if it was proposed to reserve the coastal trade of India to vessels of the British Mercantile Marine as was barefacedly put up by the British Shipowners, when after the war they were moving heaven and earth to devise means to resuscitate the then depleted British Mercantile Marine. If, therefore, it was the intention of Sir Charles Innes to bring forth a case of an Empire, which exploits a dependency in the interests of its own shipping, he could not have done better than quoted, as he did, the instance of Algeria. As a matter of fact, under the circumstances of to-day, India has been for years past in practically the same position as Algeria. Indian coastal trade is practically reserved for British Shipping Companies and until very recently, when a substantial Indian Shipping Company appeared on the scene, this British shipping monopoly in India employed all those monopolistic practices, which resulted in raising the freights in Algeria and keeping them above normal. Indian consumers paid until recently very high rates but they will be benefited by the policy of reservation, because as in Chile so in India, there will be so much competition among Indian Companies started to benefit under the scheme that freights in due course will go down to the competitive normal, which has so far practically never been reached in the Indian Coastal Trade, because the British have

always exploited the trade in their own interests. It is because the Chamber believes, that there is bound to be more competition and consequently lower freights, to say nothing of the other economic advantages, under the Reservation Policy than what prevails now, that the Chamber is anxious to do away with present conditions at as early a date as possible.

Not content with misquoting Algeria as the example of a country which has to pay higher freight rates owing to the reservation of its coastal trade to national vessels, Sir Charles Innes proceeded to say on the basis of the Algerian rise in freights, that India, on a similar proposition, would have to pay about 70 lakhs of rupees more per annum in freights alone, a fallacy which we have already exposed. As a matter of fact the only conclusion to arrive at from this statement of the rise in freights under reservation as based upon Algerian example is that India paid annually until recently about 70 lakhs of rupees more in freights than she need have paid under normal conditions, because the Indian coastal trade was then practically reserved for Non-Indian British Shipping, guarding it as a monopolistic preserve. Algeria, therefore, provides us with one lesson, namely, that if normal rates of freight are to prevail in the coastal trade of India no time should be lost in abolishing the present foreign shipping monopoly in the Indian Coastal Waters.

Having proved to his satisfaction that the policy of reservation would mean economic ruin to the Indian Coastal Trade, Sir Charles Innes proceeds to analyse the characteristic features of the trade—

a process which brings out his own want of acquaintance with the fundamental facts of that trade. Sir Charles Innes says: "The coasting trade of India is largely a seasonal trade." We do not know if this was the case before the War, but recently figures show that it possesses no such seasonal character. The number of sailings of ships is approximately the same in the first half of the year as in the second half and there are no marked fluctuations which would indicate that while some months are inordinately busy, others are unduly slack. As a matter of fact it is an article of faith with the present shipping monopoly, that it provides a regular service not merely for passenger traffic but for cargo traffic as well. Those conversant with the business well known that the tonnage provided is almost constant throughout the year. It is, therefore, at first sight rather difficult to understand why Sir Charles Innes lays so much stress upon a characteristic feature of the trade which, to those in the know, does not even exist. But perhaps there is an object behind the insistence which shows up in his further analysis of the coastal trade. He says "if you exclude the oil trade, we have worked out that for the coasting trade of India you require something like 65 steamers of an average deadweight capacity of 7,500 tons. That is the maximum. But in the slack season the requirements drop to 39 steamers." From this he proceeds to place the reservationists on the horns of a dilemma: "If your licensed fleet," says he, "was sufficient to cope with the trade in the busy months you would require 65 steamers, but of those 65 steamers, 26 would be laid up in the slack months of the year. Interest charges, overhead

charges would still run on and you would have to pay those interest charges by the enhancement of freights... ..Supposing you have a fleet only big enough to cope with the trade in the slack season, it would not be sufficient to carry traffic in the busy season." Now my Committee, in the light of the statement made regarding the seasonal character of the trade, would seriously challenge the correctness of the figures mentioned by Sir Charles Innes. Even granting, for the sake of argument, that his analysis of the number of steamers required in the seasonal period is correct the underlying fallacy of his conclusions arises from the fact, that the Commerce Member, not having any experience of the shipping industry, does not know that steamers do not always wait for a full load before getting their clearance from a Port. It is no doubt true that steamers get quick despatch and full load when traffic is brisk, which may happen in any month of the year, but to seek to create an impression on the lay mind, that in the slack months 26 steamers are laid up is either to display one's ignorance of shipping or to make capital out of the ignorance of others. In shipping practice what happens is that during the slack period, which are by no means seasonal, the number of steamers engaged in the Trade is about the same as in the busy period, but they have to wait in port for longer periods for their cargo and even then cannot be sure of full loads. It is during such period, that steamers that are due for Dry Docking are removed from the Trade, but to say that 28 steamers are laid up in the slack months is a distortion of the true conditions prevailing in the business.



As regards the other fallacy regarding the inadequacy of the required tonnage if the licensed ships were limited by the requirements of the slack season alone, it is sufficient to say that no such intention has ever been expressed by anyone conversant with the subject. However, it should be clearly understood that in the event of temporary periods of slack business there will be nothing to bar the licensed ships from plying on the adjacent or distant routes of our over-seas trade. It has never been the intention of the advocates of the Indian Mercantile Marine, that these ships of the Marine should be run only along the Indian Coast. We are all looking forward to the time when Indian ships will carry Indian products and manufactures to distant countries and bring back to India what she wants from foreign lands. It is, moreover, hoped that the development of Indian shipping under the reservation policy would be so great as to lead to its adequate participation in Ocean Trade. Indians with a large vision of the future of the country would welcome even such a small measure like the Coasting Bill on the Statute Book, in the hope that their national ships would, a little later, be able to take a prominent part in the large over-seas trade of their country. It is, therefore, difficult to follow Sir Charles Innes when he says that "I take it as axiomatic that if you close your coasting trade, your ships will be confined to their sheltered waters." The then Commerce Member seems to have forgotten that, India's Reservation of her coastal trade does not allow another country to deprive her of the right to participate in the carriage of her foreign trade with that country. It is surprising that the Commerce Member does not seem

to know the rights of a country with regard to Coastal Trade and Ocean Trade. The adoption of a policy of reservation by India cannot prevent the participation of Indian ships, say, in the Indo-Japanese Trade. It would no doubt be different if Indian ships tried to get into the Japanese Coastal Trade which is reserved to the Japanese nationals, but there is no law—there can be no law either in Japan or in any other country preventing ships of India participating in the Ocean Trade, which is as much theirs as hers.

In the face of all these relevant facts and arguments it is difficult to see how any unbiassed person can say that the trade and commerce of the country will suffer in case the monopolistic British Shipping interests are kept out of the Indian Coastal Trade. Really speaking the hollowness of this plea must have been clear to Sir Charles Innes himself, because he tries to strengthen it by saying, that as the principal Indian Shipping Company has its headquarters in Bombay, the monies of Burma, Bengal and other Provinces would be drained into Bombay. Apart from the fallacies inherent in such an argument and the mischievous introduction of provincial jealousies in this matter, one would be justified in drawing the conclusion that Sir Charles Innes would not mind if the wealth of Burma, Bengal and other Provinces, together with that of Bombay, went into the ever-accommodating pockets of London. That such a responsible member of Government should have presented such a perverted view of the subject leads one to believe that he was the mouthpiece of British vested interests in

India, when he spoke against the Reservation policy in the Legislative Assembly on 19th March 1926.

Under the circumstances, my Committee hold that Government should pay no heed to the speech of Sir Charles Innes. He has not succeeded in putting up a convincing case to show that a competent Committee had failed to do its duty when its main recommendation—the policy of reservation—has been based upon the practice and experience of all maritime countries of the world ensuring universal applicability and certainty of success, and has also received the unanimous approval of the Indian people.

Further, I am directed to point out that in 1923 when Mr. T. V. Seshagiri Aiyar introduced in the Legislative Assembly a Bill “to provide for the prevention of rate-wars and resort to retaliatory or discriminating practices in the Coastal Traffic of India,” my Committee fully approved of the general principles underlying the Bill. Again, in October 1927, while addressing the Government of India, Department of Commerce, regarding their attitude in not taking any action to carry out the main recommendations of the Indian Mercantile Marine Committee, my Committee emphasised the urgent necessity of doing away with the Deferred Rebate System. They again take this opportunity of strongly reiterating their views on the question of the Deferred Rebate System which has a distinct bearing on the question of the development of an Indian Mercantile Marine.

My Committee, therefore, strongly urge upon the Government of India the urgent necessity for putting

the Coastal Reservation Bill upon the Statute Book in the interests of India 'strade, commerce and industries and for the provision of training facilities and employment of qualified Indian youths which latter, in the opinion of my Committee, should be enforced by a definite Clause in the License in terms of the relative recommendation of the Indian Mercantile Marine Committee, namely, that the Licensing authority is satisfied " that the Joint Stock Company (public or private) or individual by whom it (licensed ship) is owned gives an undertaking in writing to take Indian apprentices for training subject to a minimum of 2 per ship, no line being compelled to take more than 60 apprentices all told, provided further that such Joint-Stock Company or individual owner undertakes to employ qualified Indian Officers and Engineers as they become eligible, up to the extent of at least 50 per cent. of the total number of Officers employed."

*Bombay, 7th July 1928.*

**THE NATIVE SHARE AND STOCK BROKERS'  
ASSOCIATION, BOMBAY.**

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The Committee of my Association have had the above Bill (for the Reservation of Coastal Traffic of India) under their consideration and they are of opinion, that it is a measure, which will materially benefit the people of this country. The Bill is bound to give the necessary stimulus to

Indian Shipping. My Committee take it, that the economic advantages of India of a possession of a National Mercantile Marine are so great that that phase of the question is no longer open to discussion, particularly, in view of the recommendation made by the Indian Mercantile Marine Committee. The Committee of my Association are, therefore, in agreement with the provisions of the Bill, which seeks to reserve the Coastal Trade within the period of five years.

There is, however, one point to which my Association would particularly like to refer and that is the question whether the necessary capital would be forthcoming for developing a National Mercantile Marine.

Having regard to the fact that all India, which is interested in the better advancement of its trade, industries, railways and so forth, is exceedingly keen that the coastal trade of the country, should so far as it can be legitimately secured to the people themselves, prove immensely beneficial in the future. This being the fact which cannot be denied, it necessarily follows that India should be able to have ample capital whereby it could easily secure the greater part of the coastal trade. It is well known, and the Government cannot be unaware of it, that all over the world the coastal trade of each country remains with its people alone and foreign countries or their representatives are disallowed from entering into that trade, as in reality it is equivalent to the draining of the wealth of that country itself. As an instance, my Association cannot give better instance of such coastal trade being reserved to its own people than that of the

United States of America. Therefore, whatever the nett earnings which might be anticipated from the coastal trade being restricted to the people of India will remain in the country for further reproductive industries and also for extension of the coasting trade itself. Moreover, our ex-Finance Minister, Sir Basil Blackett, in one of his important utterances on Indian monetary matter, had frankly said the other day that the future of India in reference to capital is very hopeful in obtaining its own capital in the country instead of relying on foreign loans for the furtherance of its material progress.

In view of the immense monetary gain, which will thus accrue to India by the passing of this Bill, my Association feel confident that Government will do their utmost to help to place the Bill on the Statute Book.

*Bombay, 2nd July 1928.*

**THE MARWADI CHAMBER OF COMMERCE, LIMITED,  
BOMBAY.**

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With reference to your letter No. 1011/1262M dated the 23rd June, 1928 on the subject noted above I am directed to forward to you hereby for submission to the Government of India the following views of my Board on the Bill to reserve the coastal traffic of India to Indian vessels introduced in the Legislative Assembly by Mr. S. N. Haji.

2. After a long and careful consideration of the Bill, my Board have come to whole-heartedly support this most essential measure, which is but a modest attempt to provide for the most crying need of Indian industry. As the Honourable the Commerce Member, Sir Charles Innes, admitted, "it is perfectly legitimate, perfectly natural that the people of India should desire to have a mercantile marine of their own." But it is not merely a psychological or a sentimental question. It is a matter of fundamental importance. The edifice of progress in almost every civilised country which has risen to eminence or advancement during the last two centuries has been built on the foundation of a well-developed merchant marine.

3. It is well-known that the development of the mercantile marines of practically all the maritime countries of the world has either commenced with or been largely accelerated by reservation of the coastal trade of these countries to their respective nationals. The United States of America, France, Japan, England, Russia, Belgium, Spain and Germany furnish examples of one or the other category. It is argued in the case of England that the Navigation Laws providing such reservation were repealed in 1854 and that in the words of Mr. A. H. Froom's Minute of Dissent, "it cannot be contended that the British Mercantile Marine experienced anything but the greatest benefit by the repeal of the laws." But it is conveniently ignored that although protection is highly necessary in the infancy of an industry for its growth, there comes a stage in its development, when free competition only adds to its strength and prosperity and

also that the English Navigation Act in question was enacted in 1651 and was in operation for over two hundred years before it was repealed. If even the British Mercantile Marine had been exposed to the severe competition from the Dutch it is problematical whether it would have survived or established itself during those hard times.

4. But whether the British did or did not benefit by the reservation laws, the cases of the United States, Japan and France furnish clearest illustrations of the immense benefits accruing from reservation of a country's coastal trade to its nationals. If reservation of coastal traffic has proved beneficial to Japan or the United States which were comparatively speaking very favourably circumstanced in many respects, how much more beneficial should it be to India whose existing position, in this matter is miserably poor. Roughly speaking, not more than 12% of the coasting trade and 2% of the international trade is carried in Indian bottoms. The condition of ship-building is even worse. "The number of ships of 100 tons gross or over-built in the world in the 10 years previous to the war is nearly 17,000 their total gross tonnage being roughly over 28 millions." These figures will have to be considerably increased to arrive at the total tonnage built up-to-date. Of the same description India has built, before and after the war, in all merely 22 ships. In these circumstances and in the face of the formidable competition of the highly organised and perfectly established foreign—specially British—Steamship Companies,—to advise India not to resort to reservation or like Mr. A. H. Froom, to wax eloquent over the



unsoundness of what he calls "the bolstering of any mercantile marine by artificial means" is nothing less than an insult to the Intelligence of the Indian mercantile public. In resorting to this so-called 'unsound' method, India will be in the brilliant, company of the most progressive countries of the world.

5. Even supposing, for the sake of argument, that the policy of free competition is in theory, which is not accepted by my Board, sound let us see whether it is reasonable to hope for any practical success in a measurable distance of time by its application to India. The present conditions in India entirely preclude any such possibility. As a matter of fact this policy has been unfortunately in operation for a few centuries. Its results constitute its complete condemnation. It is undeniable that during the last 200 years when the greatest progress has been made in the rest of the civilised world, India has been practically stationary. The ultimate result of this policy has been to enable the foreign companies to obtain a firm footing in the shipping trade of this country.

6. The greatest argument in favour of this Bill is that it is based on the recommendations of the Mercantile Marine Committee which was presided over by no less a person than Captain E. J. Headlam, Director of the Royal Indian Marine and which has, with a solitary dissident in the person of Sir Arthur Froome of Messrs. Killick, Nixon & Co., Bombay strongly recommended the reservation of Indian coastal trade to Indian vessels. The Committee was appointed by the Government of India with explicit terms of

reference, one of which was "to consider what measures can usefully be taken for the encouragement of ship-building and of the growth of *an Indian Mercantile Marine* by a system of bounties, subsidies and *such other measures* as have been adopted in Japan." Acting under this reference the Committee recommended the least that was possible and worthwhile to do and advised the adoption of not all but only one or two of the measures adopted by Japan. By turning down one of the most important recommendations of the Committee Government have done a grave wrong to the interests of the Indian industry. This Bill is thus a legitimate, unexceptionable attempt to right that wrong.

7. Against the enactment of this Bill it has been argued in various quarters that reservation of coastal traffic to Indian vessels involves the principle of flag discrimination, contravenes imperial laws particularly the British Merchant Shipping Act of 1894, is likely to bring inefficiency in the shipping service and raise the rates and freights for coastal ports and thus "by creating a monopoly ultimately ruin the trade of the country". My Board will try to briefly examine below these arguments to show that they do not hold much water. The fact that many a western nation before the war and many another after it has accepted it as its avowed object of national policy to do whatever may be necessary to develop and encourage the maintenance of such a mercantile marine as would "ultimately be owned and operated by its citizens" and be "sufficient to carry the greater portion of its commerce and serve as a naval and military auxiliary in time of

war and national emergency" (quoted from the preamble of the American Merchant Marine Act), effectively belies the point of flag discrimination. If the coasting trade can be and indeed has been, closed by other countries of the world to foreign and non-national flags without any breach of international comity how the taking of a similar step by India will amount to an act of flag discrimination passes comprehension. Recently the right of Greece to reserve its coastal trade to its national has been recognised by the British Government. The fact of the matter is that the reservation of coasting trade has been universally recognised as a matter of purely domestic concern and does not in any way infringe the International Law. The legislative enactments of most of the maritime nations of the world will bear ample testimony to this fact.

8. The next point is that the passage of the Bill into law will be in contravention of Section 736 (a) of the British Merchant Shipping Act 1894. The fact that Australia passed its Navigation Shipping Act providing grant of licenses to vessels under certain conditions the nature of which, as the report of the Mercantile Marine Committee states, "is such that they have the practical effect of automatically shutting out all except Australian owned vessels from the Australian coasting trade" shows beyond doubt that the said Act does not prevent India from taking similar action. If, however, the language of the Bill makes it open to an interpretation of this kind it is for the legal experts in the Government of India or on the Select Committee, when it is appointed, to remove any such defects. Besides, if technically the British Merchant Shipping

Act stands in the way of India taking a rightful action in the interests of her nationals the British Government will not refuse to be persuaded to amend the British Law suitably.

9. Another argument that has been advanced from several quarters is that if the Indian coasting trade is entrusted entirely to Indians they will not be able to give as efficient and satisfactory service as the foreign companies so far have. This insinuation or fear is not founded on facts and is unjust to Indians. This point has been rightly expressed in the Mercantile Marine Committee Report in paragraph 41 wherein it reads :—“ In any case it seems unfair to pronounce judgment as to the ability of Indians to run shipping companies as successfully and efficiently as the present concerns until they have been given an opportunity of owning and managing ships under more favourable conditions than those prevailing to-day. Indians have proved successful in other technical trades in which a short time back they possessed little or no practical knowledge or experience and we see no reason why given a favourable opportunity they should not prove equally successful in the shipping trade.”

10. Moreover the suggestions of the Marine Committee on which this Bill is based are themselves a proof of the great caution and foresight exercised by the Committee. Practicability more than any other consideration seems to have been the guiding principle of the Committee. If action is taken step by step on the lines recommended by the Committee there cannot possibly be any reason for the most pessimistic of people

to entertain any such apprehension as to inefficiency of service,

11. Similarly the cry about the creation of a monopoly and rise of rates of freight is nothing but a camouflage resorted to for clouding the real issues at stake. Nobody can deny the fact that a monopoly does already exist and the outcry raised by interested people is generated by the fear that this unjustifiable monopoly will be broken by the passage of Mr. Haji's Bill. At present a couple of powerful steamship companies are carrying the lion's share not only of international trade with India but also of the Indian coastal traffic. It is difficult to imagine that any monopoly can be more exclusive and harmful to Indian interests than the present one. Besides, the commitment of the Government of India to a policy of reservation will be a signal for flotation of new companies and the competition between the rival Indian ship-owners will be a guarantee against any appreciable rise of freights. In this connection it should not be ignored that the benefits flowing from the retention of a part of the money that is at present being drained out of the country will contribute to the improvement of the economic condition of the people.

12. Government have already established the training-ship for turning out efficient deck-officers and engineers. It is very clear that the object of this laudable action of Government will be frustrated if the cadets after completing their terms of apprenticeship and training are not to have reasonable chances of employment. Even in the matter of providing arrangement for apprenticeship considerable difficulty is expected to be

met with in the absence of a sympathetic class of ship-owners who may be willing and anxious to assist Indian youths to qualify for the highest posts. The two questions are, in my Board's opinion, inter-dependent. I may request the attention of Government to paragraph 35 of the Mercantile Marine Committee Report, which shows how essential the proposed scheme of licensing is to the success of the training-ship experiment, which, as far as the stuff of the cadets is concerned, is promising to prove wholly creditable to the Indian people.

13. Reservation of Indian coastal trade to Indians will provide employments to the youths of the country and instil in them the qualities of adventure and hard life. It will pave the way for the growth and establishment of an industry whose proper development for a country having a vast sea-board as India has, is bound to be highly beneficial and whose effects on the prosperity and economic improvement of the people are calculated to be, in course of time, immense. While in times of peace a well-developed Indian merchant marine will confer on the people the benefits indicated above, in times of war its utility will be even greater. It will make the question of national defence easier.

14. In conclusion I am directed by the Board to respectfully urge that the measures recommended by the Mercantile Marine Committee and incorporated in Mr. Haji's Bill are the minimum that can at all meet the requirements of the situation. At least the people will not be satisfied with any thing less. My Board trust that the statesmanship and the breadth of vision

shown by Government in establishing the training-ship will also inspire them while considering this modest demand contained in the Bill for reservation of coastal traffic to Indian vessels, which, as Government will be aware, is solidly backed not only by the entire mercantile public of this country but also by the whole Indian people.

*Bombay, 25th June 1928.*

**THE PASSENGERS' & TRAFFIC RELIEF ASSOCIATION,  
BOMBAY.**

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I am directed by the Committee of my Association to inform you that they approve of the Bill introduced in the Legislative Assembly by Mr. S. N. Haji to reserve the Coastal Traffic of India to vessels owned and controlled by Indians.

Speaking as an Association interested in the provision of necessary comforts and facilities for the travelling public, my Association has no hesitation in stating that so far as sea-travel is concerned, the treatment meted out to deck passengers travelling by the ships of the British Shipping Companies plying along the Indian Coast and elsewhere and engaged in carrying Indian passengers travelling to and from Indian Ports leaves much to be desired. As the sailing boats' greater part of income arises from cargo, passengers are treated also as "Cargo" and no great attention is paid to them

than to fragile cargo. In the opinion of my Committee, this trouble principally arises from the fact that there is a monopoly in the passenger carrying trade at the Indian Ports. As a result no attention is paid to the requirements of the travelling public who, whether they wish it or not, must travel by the monopoly boats if they are to reach their destination. The incentive of healthy competition is absent and consequently passengers do not get their due.

In addition to the evils of a monopoly, we have to add the evils of foreign management. The superior staff in the service of the company both ashore and afloat which is non-Indian have, if at all, superficial knowledge of their requirements and hence by want of knowledge and because of different nationality are unsympathetic to Indian demands and requirements.

These two evils mentioned above are by themselves sufficient to cause unnecessary hardships to the travelling public but to these we have to add the indifference of the Government which has proved impervious to all demands regarding the betterment of the conditions under which the Indian Deck Passengers have to travel. To get an idea of the difficulties of sea-passengers, we have to add to the hardships of 3rd class Railway passengers, the hardships arising from high winds and stormy seas, exposure to heat and rain, insufficiency of arrangements for embarkation and disembarkation, inadequacy of space and the consequent over-crowding of passengers for long distances, the paucity of fresh water, the inadequacy of sanitary



arrangements, the poor arrangement for supply of provisions themselves to say nothing of the interference and insolence of foreign officers on board. On the top of all this, the fares charged are exorbitant as no recently reductions have been made in the passenger fares as has been the case with over-seas and railway fares. It is no wonder that sea-travel which in other countries is a health giving experience turns out in India to be a period of acute mental and physical discomfort and distress. The many public inquiries held into this subject during the last few years indicate not only its importance but also the fact that either proper remedies have not been suggested or that the proposed recommendations have not been carried out. Wherever Indian deck passengers travel by sea, whether in the Bay of Bengal (Burma Traffic), in the Indian Ocean (Malay Traffic) or the Arabian sea (Cutch, Kathiawar and African Traffic), their complaints have been uniform and constant but have been uniformly disregarded. It is difficult to say how far this indifference on the part of the Government is dependent upon the influence exercised by the foreign monopoly in higher Government circles. But my Committee are confident that these grievances will never be adequately remedied until Indian Shipping Companies come into existence and operate ships officered by Indians. It is because that the principal underlying Mr. Haji's Bill is certain to prove an important factor in the creation and development of an Indian Mercantile Marine that my Committee are strongly in favour of a speedy attainment of the Aims and Objects of the Bill.

Moreover, to prove for an early Indianisation of the officers on board the ships carrying Indian Deck passengers, my Committee would recommend the addition of a clause to the Bill to the effect that licenses would be granted only to ships the owners of which undertake to train-up Indian apprentices and "to employ qualified Indian Officers and Engineers as they become eligible up to the extent of at least 50% of the total number of Officers and Engineers employed" as recommended by the Indian Mercantile Marine Committee.

*Bombay, 21st July 1928.*

**THE AHMEDABAD MILLOWNERS' ASSOCIATION,  
AHMEDABAD.**

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I am desired by my Committee to communicate to you their full support to the principle underlying the Bill to reserve Coast Traffic of India to Indian Vessels owned and controlled by Indians, introduced by Mr. S. N. Haji, M. L. A., in the Legislative Assembly.

The Committee are of opinion that the economic interests of India demand the reservation of coastal traffic to ships owned and controlled by Indians, primarily in the interests of national shipping and ship-building industries.

A proportion of not less than 20 per cent. of the tonnage licensed for first year with an increase of 20 per cent. for subsequent years till the controlling interest is vested in British Indian subjects would be a step in the right direction and India should not now lag behind in adopting the system of reserving the coastal trade to Indian vessels when other countries have already progressed far ahead in this matter from national point of view.

When Japan and the western countries have not only successfully developed their merchant marine to cope with their own requirements, but have progressed in securing extensive international traffic it is high time for India to at least develop Indian shipping, under the reservation policy as outlined in the Bill of the Hon'ble Mr. Haji.

In case a small measure like the above is placed on the Statute Book all apprehensions in regard to the attraction of capital in the shipping industry would obviously disappear and the trade and industry of the country would consequently be benefited.

*Ahmedabad, 18th July 1928.*

**THE MAHARASTRA CHAMBER OF COMMERCE,  
BOMBAY.**

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The Committee of this Chamber give its full support to the Bill introduced into the Legislative

Assembly for the reservation of this country's coastal traffic to Indian bottoms by Mr. S. N. Haji, M.L.A. It must no longer be open to all comers, as it is at present, under the provisions of the Indian Coasting Trade Act V of 1850.

The Committee notes with regret that the Government did not find opportunity to bring forward such a measure all this time after the publication of the Indian Mercantile Marine Committee's report and that a private member's measure had ultimately to seek to do it.

The Committee believes that if India's shipping industry, and consequently India's shipping trade are to develop and grow into something worthy of this great country, this measure is urgently necessary to start with. Every country of importance in the world which has a mercantile marine of its own to-day has adopted a similar policy of coastal reservation some time or other to give an impetus to its shipping.

The Committee of this Chamber would like to go even further than Mr. Haji's Bill and suggest that the controlling interest, as contemplated by the section 2, clause 3 of the Bill should be not only predominantly Indian in character but it should be secured wholly for the nationals of this country." As regards the period during which the object of the Bill is to be realised, *viz.*, Indianization of the management, ownership and control, it should be fully accomplished by 1st January 1932, and the Committee would like to suggest that this should be accomplished by an announcement to

that effect, leaving it to the interests concerned to make the necessary adjustments.

The growth of the Indian Merchant Marine will give a great stimulus to the expansion of the Indian trade in many directions to the ultimate benefit of India's national interests, apart from the fact that it will give scope, hitherto denied, to Indian talent and enterprise. It must no longer be possible for well established non-Indian concerns to stamp out by deferred rebates and rate-wars newer indigenous enterprise in shipping. India will have to wait for sometime before her ships begin navigation in the oceans of the world on a large scale. But if she is to do that within a reasonable time, her coastal traffic must be reserved to her as the very first step.

The Committee approves of the system of Government issuing licenses to coastal ships, provided the owning Company is registered in India, and has a rupee capital and has its Managing Agents, Directors and Shareholders recruited wholly from the nationals of this country.

*Bombay, 6th June 1928.*

41-A

**THE BOMBAY SHROFF ASSOCIATION,  
BOMBAY.**

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I am directed by the Committee of the Bombay Shroff Association to inform you that they have considered the Bill for Reservation of the Coastal Traffic of India to vessels owned and controlled by Indians, introduced in the Legislative Assembly by Mr. Sarabhai N. Haji, M.L.A.

I have to remind the Government that the question of creating and developing an Indian Mercantile Marine has been considered at great length by the Indian Mercantile Marine Committee and they also have recommended that the Indian Coastal Traffic should be reserved for ships owned and controlled predominantly by Indians.

My Committee strongly urge the necessity for accepting this Bill in the interests of India's Trade, Commerce and Industries.

*Bombay, August 16th 1928.*

41-B

**THE MILLOWNERS' ASSOCIATION,  
BOMBAY.**

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I am directed to refer to your letter No. 1011/1243-M. dated 20th June, 1928 on the above subject.

2. My Committee are generally in sympathy with the object underlying the Bill which is to provide for the employment of Indian Tonnage in the coastal traffic of India. They are unanimously of the opinion, that as laid down in the preamble to the Bill, it is expedient to provide for the rapid development of an Indian Merchant Marine.

3. I am directed further to add, that while my Committee accept the principle underlying Mr. Haji's Bill, they do not propose to examine its provisions in detail, but they earnestly trust that the Government of India and the Indian Legislature will very carefully consider how the different provisions of the Bill, if passed into Law, will affect the Trade of this country, and that the necessary modification will be made in the proposed Bill to ensure that the trade of this Country is not handicapped in any way.

*Bombay, August 16th 1928.*

**SOUTHERN INDIA CHAMBER OF COMMERCE,  
MADRAS.**

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I am directed to state that my Committee have carefully examined the provisions of the above mentioned Bill and fully support the object of the Bill. My Committee would, however, desire that the definition of the term "A common carrier by water" should be made more explicit so as to show the extent of its application to general and chartered ships and passenger steamers. My Committee are further anxious that in the enforcement of the provisions of the above Bill the Government of India should be alive to their responsibility to keep the freights from rising so as to hamper trade. The coastal freights are already high-pitched and any further increase in them will result in diminished trade as there are no alternative means of cheap transport for the coastal trade to be diverted to.

*Madras, 9th June 1928.*

**THE INDIAN CHAMBER OF COMMERCE,  
TUTICORIN.**

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**RESOLUTIONS :—**

- (1) As regards the Bill No. 5 of 1928 on reservation of the coastal traffic of India, International Law does not stand in the



way of India reserving her coastal trade to her nationals and to regulate it in their interests. Further, the Bill does not create a monopoly for any individual or Corporation nor does it preclude competition from others, provided they comply with the minimum requirements of the Bill.

- (2) The Peninsula of India being a distinct unit, politically and geographically, having a legal right to reserve and regulate its coastal trade in the interests of her nationals, no revolution of economic principles need be feared in as much as such reservation of coastal trade to vessels flying the flag of the country has invariably helped to develop the trade of the country.
- (3) This Chamber, in the face of the facts mentioned above, warmly supports Mr. Haji's Bill and appeals to other Mercantile organisations throughout India to give their unbiassed consideration and unstinted support to the Bill.

*Tuticorin, 12th June 1928.*

**THE MADURA RAMNAD CHAMBER OF COMMERCE,  
MADURA.**

With reference to the Bill on the Reservation of Coastal Traffic, I am directed to submit the views of my Committee on the subject.

The Bill No. 5 of 1928 which Mr. Haji, M.L.A., has introduced into the Legislative Assembly is a very modest piece of legislation which seeks to establish for India a right similar to the one enjoyed by all civilised countries. The main object is to protect Indian shipping concerns against all unfair competition from aliens who have monopolised the trade.

The main principle underlying the Bill is one which has also been recommended by the Indian Mercantile Marine Committee for adoption by the Government of India if they wanted to satisfy what themselves have recognised as a perfectly legitimate and perfectly natural desire on the part of the people of India.

The provisions of the Bill do not offend International Law and they do not seek to create a monopoly. Hence neither a revolution in economic principles nor a destruction of international competition need be feared. Aliens now participating in this trade are invited to share it provided they reorganise their concerns so as to comply with the minimum requirements of the Bill.

India by its peculiar geographical position is a distinct political unit and International Law gives her the exclusive right to fish in territorial waters and to reserve coastal traffic, to vessels plying her flag. By preventing aliens combine against her shipping, Indian trade runs no risks and she cannot be accused of threatening international competition. The attitude which the Tuticorin Port Trust has taken regarding the Bill of Mr. Haji is entirely prejudicial against the interests of India and her people.

Further, the recent enactment of the Indian Navy Bill makes it imperative that a Merchant Marine manned by Indians be created at once to form a second line of defence and to serve as a training ground for cadets turned out by the R. I. M.T. S. S. S. *Dufferin*.

My Committee, therefore, strongly urge upon the Government of India the urgent necessity for putting the Coastal Reservation Bill upon the Statute Book in the interests of India's trade, commerce and industries and for the provisions of training facilities and enjoyment for qualified Indian youths which latter in the opinion of my Committee should be enforced by a definite clause in the License in terms of the relative recommendations of the Indian Mercantile Marine Committee, namely, that the licensing authority is satisfied "that the Joint-Stock Company (Public or Private) or Individual by whom it licensed, ship is owned gives an undertaking to take Indian apprentices for training subject to a minimum of two per ship, no line being compelled to take more than sixty apprentices all told, "provided that such Joint-Stock Company or Individual undertakes to employ qualified Indian Officers and Engineers as they become eligible, up to the extent of at least fifty per cent. of the total number of Officers and Engineers employed."

My Committee, after due consideration, has resolved to approve of the Bill which has its hearty support.

*Madura, 8th August 1928,*

**THE MYSORE CHAMBER OF COMMERCE,  
BANGALORE.**

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The Mysore Chamber of Commerce has had an opportunity of going through in detail the provisions of the Bill which Mr. S. N. Haji has introduced into the Indian Legislative Assembly and which has for its object the rapid development of an Indian Mercantile Marine. In extending its full support to the Bill, the Chamber has been influenced mainly by the considerations which are set out in the following paragraphs.

1. The idea underlying the proposal, *viz.*, to reserve the Coastal Traffic of British India to Shipping Companies which are predominantly Indian in character, has been supported by the majority of the members of the Indian Mercantile Marine Committee. They write " what we wish to provide for in our Coastal Trade Regulations is, that after a time the ownership and controlling interests in the Ship or Ships for which licenses are required shall be predominantly Indian and we think that this qualification should be held to have been fulfilled if a ship conforms to the following conditions :—

- (a) That it is registered in India ;
- (b) That it is owned and managed by an individual Indian or by a Joint-Stock Company (public or private) which is registered in India with rupee capital with a majority of Indians as its directorate and a majority of its shares held by Indians ;

- (c) That the management of such company is predominantly in the hands of Indians.

2. This recommendation of the Committee was made after a careful examination of the evidence tendered before it and of the factors justifying the reservation of the Coasting Trade to Indian vessels. Mr. Haji's Bill now on the tapis endeavours to give practical effect to the recommendations of that Committee as most beneficial to this country, if placed on the Statute Book. The reasons which have weighed with this Chamber in expressing their approval of the measure are exhaustively explained in the memorandum submitted by this Chamber to the Indian Mercantile Marine Committee. Briefly they are as follows :—

- (1) India has, under the International Law, a moral and legal right to reserve Coastal Traffic to Indian vessels ;
- (2) The Bill aids the rapid development of an Indian Mercantile Marine which in time of war will provide a second line of Naval Defence ;
- (3) The growth of an Indian Mercantile Marine will open out new careers for Indian talent and enterprise, while affording employment to hundreds of people for the country's own benefit ;
- (4) The existence of non-Indian interests in the Coasting Trade of India has

furnished few avenue of employment for sons of the soil ;

- (5) The Bill is likely to cure the defects referred to in (4) above and to result in improved service between the Ports in the further extension of Indian Trade in several directions and in a reduction in passage money, freights, etc.;
- (6) The Bill creates no monopoly for any individual or corporation.

3. As against these important advantages conferred by the Bill, its critics urge that it involves a revolution in economic principles, lack of competition reflecting in a rise in freights, shortage of shipping and waste in the use of foreign tonnage. These, in brief, are the main objections to the Bill. It is unnecessary to attempt any elaborate refutation of these criticisms as they have been anticipated and fully met in the Report of the Indian Mercantile Marine Committee.

4. There remains the argument of expropriation to be answered. India is a Peninsula with a long sea-board and the International Law confers on her the right to reserve and regulate her Coastal Trade in a manner calculated to advance her national interests. Such a right is also conceded by the British Merchant Shipping Act which permits every component part of the British Empire to undertake any legislation which it chooses with regard to its own Coastal Trade. The

proposal of the Indian Mercantile Marine Committee provide for the gradual promotion of a policy of reservation which should give no ground for any fear of expropriation.

5. These are in short, the views of this Chamber in regard to Mr. Haji's Bill now before the Legislative Assembly. The Bill, if passed will confer such great advantages on this country that it has evoked the whole hearted support of all sections of the people of India. In the circumstances, the Chamber fervently hopes that the Government of India will see their way to extend their full support to a measure so widely beneficial in its effects to the trade of India and the building up of a Mercantile Marine.

*Bangalore 16th July 1928.*

**THE BEHAR & ORISSA CHAMBER OF COMMERCE,  
PATNA.**

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I am directed by the Committee of this Chamber to inform you that my Committee fully supports Mr. S. N. Haj's Bill for the Reservation of the Coastal Traffic of India, to vessels owned and controlled by Indians, and thinks that there is an urgent necessity of placing it on the Statute Book, and as it is only a modest attempt in the direction of an Indian Mercantile Marine. It will be greatly beneficial to the trade and commerce of the country, will provide for an elementary training of the educated young men for a mercantile

furnished few avenue of employment for sons of the soil ;

- (5) The Bill is likely to cure the defects referred to in (4) above and to result in improved service between the Ports in the further extension of Indian Trade in several directions and in a reduction in passage money, freights, etc.;
- (6) The Bill creates no monopoly for any individual or corporation.

3. As against these important advantages conferred by the Bill, its critics urge that it involves a revolution in economic principles, lack of competition reflecting in a rise in freights, shortage of shipping and waste in the use of foreign tonnage. These, in brief, are the main objections to the Bill. It is unnecessary to attempt any elaborate refutation of these criticisms as they have been anticipated and fully met in the Report of the Indian Mercantile Marine Committee.

4. There remains the argument of expropriation to be answered. India is a Peninsula with a long sea-board and the International Law confers on her the right to reserve and regulate her Coastal Trade in a manner calculated to advance her national interests. Such a right is also conceded by the British Merchant Shipping Act which permits every component part of the British Empire to undertake any legislation which it chooses with regard to its own Coastal Trade. The



proposal of the Indian Mercantile Marine Committee provide for the gradual promotion of a policy of reservation which should give no ground for any fear of expropriation.

5. These are in short, the views of this Chamber in regard to Mr. Haji's Bill now before the Legislative Assembly. The Bill, if passed will confer such great advantages on this country that it has evoked the whole hearted support of all sections of the people of India. In the circumstances, the Chamber fervently hopes that the Government of India will see their way to extend their full support to a measure so widely beneficial in its effects to the trade of India and the building up of a Mercantile Marine.

*Bangalore 16th July 1928.*

**THE BEHAR & ORISSA CHAMBER OF COMMERCE,  
PATNA.**

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I am directed by the Committee of this Chamber to inform you that my Committee fully supports Mr. S. N. Haj's Bill for the Reservation of the Coastal Traffic of India, to vessels owned and controlled by Indians, and thinks that there is an urgent necessity of placing it on the Statute Book, and as it is only a modest attempt in the direction of an Indian Mercantile Marine. It will be greatly beneficial to the trade and commerce of the country, will provide for an elementary training of the educated young men for a mercantile

career and in urgency prove to be of valuable service in the protection of Indian coasts. My Committee hopes that the Government on fuller consideration would also accord its support in view of its fulfilling one of the legitimate aspirations of Indians without entailing any burden on the exchequer.

*Patna, 11th August 1928.*

**THE BENGAL NATIONAL CHAMBER OF COMMERCE,  
CALCUTTA.**

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I have the honour to acknowledge the receipt of your letter No. 172-T.Mne., dated the 30th April, 1928, forwarding a copy of a Bill to Reserve the Coastal Traffic of India to Indian Vessels and requesting the Bengal National Chamber of Commerce to express its views on the provisions of the Bill.

My Committee after careful consideration are in full sympathy with the object of the Bill as stated in the statement of the Objects and Reasons and accord it their wholehearted support. They are, however, inclined to think that the period of five years would be inadequate for the programme contemplated in clause 9 of the Bill; and so they prefer a programme of ten years during which period, they think, the existing foreign companies will have sufficient time to adjust themselves to the changing conditions. Indigenous enterprise will, likewise, find it easier to replace with

Indian the foreign vessels which will be progressively disqualified.

The desire of the people to have a national mercantile marine is natural and perfectly legitimate and Sir Charles Innes himself has recognised this on behalf of the Government more than once. An Indian mercantile marine is indispensable for the economic and industrial development of the country and is also an instrument of national defence in times of emergency. It affords a training ground where Indian talent may acquire the necessary experience in sea-faring. But if a national mercantile marine constitutes an important part of any comprehensive programme the reservation of the Coastal Trade is one of the recognised and accepted methods of building up such a marine. The United States, France, Turkey, Italy, Japan, not to mention Australia and Canada, have all reserved their coastal trade to their national vessels. Even Great Britain, through her well-known Navigation Laws, laid the foundations of her present supremacy on the ocean by keeping out foreigners from the traffic. In some cases the self-governing countries have gone further and have afforded other forms of State support, such as construction bounties, Navigation bounties, mail subventions, etc., to their mercantile marine.

The Indian Mercantile Marine Committee observed in their report that "the coastal trade of a country is regarded universally as a domestic trade in which foreign flags cannot engage as of right but to which they may be admitted as an act of grace." (Page 24.) As a matter of fact the carrying of the coastal trade in

all cases outside the scope of the treaties concluded between most countries ensuring the "most favoured nation" treatment.

My Committee appreciate the steps the Government have taken in pursuance of the recommendations of the Indian Mercantile Marine Committee for affording nautical training to Indians. But they wish to emphasised at the same time the importance of "some further steps" which in their opinion "are required to achieve the object in view." These further steps we recommend should be in the form of the eventual reservation of the Indian coastal trade for Indian ships.

My Committee have given the most careful consideration to the important criticisms that have been advanced against the principle and the provisions of the Bill. It has been contended by Sir George Rainy that by including the French and Portugese ports in the Indian coastline the proposed measure would involve a breach of the international convention of maritime ports to which India is a signatory and that in the alternative, their exclusion from the Act would lend to a diversion of trade to such foreign ports. My Committee desire to emphasise that they refuse to impale themselves on either horn of the dilemma. In the first placé the Maritime Ports' Convention does not apply to the question tackled by the Bill. Even if it be otherwise, the French and the Portugese have no rival interests to be affected by the passage of the Bill. They have themselves reserved their coastal trade for their own vessels; and it should not be difficult for the Government on the above grounds to come to a working arrangement with

them. If, however, they prove to be recalcitrants, it is open to the Government of India to retaliate with a land customs cordon raised round their possessions in British India. Even if we are obliged to drop the French and the Portugese ports out of the scope of the Bill, the diversion of trade is only an imaginary danger as there is no reason to apprehend that reservation would lead to monopoly and such rise in freights as to make it more than profitable to send goods through these ports.

My Committee are aware that a possibility of shortage of shipping and thus in freights are put forward as a main objection to the Bill. They have, therefore, to point out that there is nothing in the Bill to blunt the keenness of the competition, among the vessels existing at every given period. The existing foreign vessels are disqualified only by slow degrees and the condition of security which the Bill ensures are sufficient to attract the required amount of tonnage into the trade. This change will be easily worked out as the shipping industry, alone of modern industries, affords scope for the application of comparatively small capital. Companies with only one or two vessels can be expected to be formed in large numbers, alongside big corporations which might provide tens of ships at the very start. It is also open to Indian companies to charter foreign ships which, judging by the figures of shipping and tonnage during recent years, appear to be available on easy terms. The Committee have, therefore, reason to think that far from acting as a restrictive measure, the Bill would bring about conditions under which the

freights would be fixed by competition rather than be subjected, as they are, to the vagaries of monopolistic rings and combines.

Even if the Bill would involve a sacrifice of any kind, my Committee are of opinion that such losses would be more than outweighed by the manifold advantages resulting from the possession of a national mercantile marine. The stoppage of the annual economic loss which the country experiences on account of coastal freights and the provision of facilities for giving nautical training to Indians are each worth the highest price that we may have to pay for achieving the objects of the Bill. The Committee have, therefore, to request that the Government would help the final passage of the Bill into law with the necessary amendments.

*Calcutta, 22nd June 1928.*

**THE INDIAN CHAMBER OF COMMERCE,  
CALCUTTA.**

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I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to acknowledge receipt of your letter No. 174-T dated, Darjeeling the 30th April 1923, forwarding therewith a copy of a Bill to reserve the Coastal Traffic of India to Indian Vessels, for the expression of the views of my Chamber on the provisions of the Bill, and to send to you hereby their views on the same.

My Committee have carefully considered the provisions of the Bill and I am directed to say that they concur with the object of the Bill as stated in the Statement of Objects and Reasons and whole-heartedly support the provisions of the Bill to reserve the coastal traffic of India to Indian Vessels.

The desire of the people to have a Mercantile Marine of their own is a perfectly natural and legitimate desire as Sir Charles Innes has recognised on behalf of the Government more than once. An Indian Mercantile Marine is indispensable for the economic and industrial development of the country and forms a second line of defence in times of emergency. Reservation of coastal trade is one of the universally recognised methods of building up such a marine, as evinced by the example of all important maritime countries. While my Committee appreciate the establishment by the Government of a "Training Ship" as recommended by the Mercantile Marine Committee for the training of Indian boys for a national career, they would invite the Government's attention to the inadequacy of such a step by itself to achieve the desired object as pointed out by the Indian Mercantile Marine Committee, in paragraph 41 of their Report wherein they observed "it is our considered opinion that the provision of facilities for the training of Indian officers and engineers alone is not sufficient to meet the requirements of the case and that some further steps are required to achieve the object in view. These further steps we recommend should be in the form of the eventual reservation of the Indian coasting trade for ships the

ownership and controlling interests in which are predominantly Indian."

My Committee endorse the scheme outlined in the Bill, whereby the Reservation of Coastal Traffic to Indian vessels is to be brought about gradually through a system of control by means of licenses to be issued to steamers whose ownership and controlling interests are predominantly Indian. This scheme of Coastal Traffic is based on the recommendation of the Indian Mercantile Marine Committee and follows the model of the Australian Navigation Act.

My Committee desire me to refer here to the various difficulties and objections raised by Sir Charles Innes against the Reservation of Coastal Traffic to Indian Vessels in his speech in the Legislative Assembly on the 19th March of 1923. Sir Charles' argument that the necessity felt by other countries for having a national mercantile marine is not felt in India, is preposterous, for it is impossible to contemplate a self-governing India that is dependant on some one else for her national defence. The British Merchant Shipping Act permits in fact every component part of the British Empire to undertake any legislation it chooses with regard to its own Coastal Trade. Australia and Canada have sought to develop mercantile marines of their own and Australia has also reserved its coastal traffic for its own bottoms and there is no reason therefore why India should not desire and endeavour to have a mercantile marine of its own. Sir Charles has raised another objection that reservation introduces the principle



of expropriation. My Committee would, however, point out that the proposed measure does not contemplate any immediate expropriation of foreign shipping but seeks to introduce gradual reservation during which period the existing vested interests will have time to adjust themselves to the changing conditions. Moreover, it must be emphasised that such measures of immediate expropriation in national interests have not been uncommon in other countries, particularly because the coasting trade is recognised as the domestic preserve of each nation. As regards Sir Charles' argument that coastal reservation admits the principle of flag discrimination, it is only necessary to observe that the Third International Shipping Conference held in London in 1926 decided that the question of flag discrimination does not limit the control of any nation over its coastwise trade. As the Indian Mercantile Marine Committee observed in para 39 of their Report, "the coastal trade of a country is regarded universally as a domestic trade in which foreign flags cannot engage as of right but to which they may be admitted as an act of grace."

Sir Charles has also referred to the danger of enhancement of freights as a result of reservation of coast. My Committee would point out that the enhancement of freight is due not to reservation but to the existence of various factors which are independent of a policy of reservation. As it is, even to-day without there being any reservation the freight rate on the Indian Coasts are rather high, owing to the practical monopoly of a foreign shipping concern. Even assuming for the sake of argument that freight rates would

be slightly enhanced in the initial stages of reservation, such enhancement is only a price paid for the establishment of an infant merchant marine, the economic advantages of which to a nation cannot be over-emphasised. My Committee are afraid that Sir Charles has evidently made a wrong assumption that Coastal Reservation will necessarily mean monopoly, since it is extremely likely that indigenous enterprises will spring up and begin to compete, as soon as the foreign monopoly will cease to exist.

Sir George Rainy in his speech at the time of the motion for circulation of the Bill for eliciting public opinion raised another difficulty, *viz.*, that the Reservation of Coastal Traffic to Indian Shipping would involve a breach of international agreement and in particular of the convention on international regime of maritime ports to which India is a signatory, if the French and Portugese Ports on the Indian coast line were included in such reservation. On the other hand, if these ports are not thus included, it would be contended that it would lead to a diversion of trade to such foreign ports. My Committee desire me to point out that the Maritime ports' convention to which Sir George referred does not cover the question of coastal reservation which was specifically left outside its perview. As for the question of French and Portugese Ports, my Committee do not consider the technical difficulty to be an inseparable one, since the interests of French and Portugese Shipping are not involved in the question of Reservation. It should not be difficult for the Government of India to arrive at a satisfactory solution of the question by negotiations with the French and Portugese

Governments particularly because both the countries have reserved their coast for their own vessels. In case, however, these Governments are unwilling to come into line with British India in this respect, it would be perfectly legitimate for the Government of India to take steps to enhance customs duties at the land customs frontiers round Pondicherry, Karikal, Goa, Daman and other ports or erecting customs cordons where there are none in order to effect any possibility of diversion of trade to ports outside the area of Reservation. After all, Sir George Rainy's contention about diversion of trade is based on the assumption that reservation will involve high freights owing to monopoly, and that foreign ports on the coast which will be open to foreign shipping will attract tramp tonnage. But as pointed out above, the possibility of high freights as a result of coastal reservation cannot be accepted without considerable qualifications, both because competition between indigenous concerns is almost certain to keep down freight rates and because the policy of Reservation is designed to be only a gradual one. Unless, therefore, the freights in the reservation area are unusually high tonnage is not likely to be diverted to earn uneconomic freights at the foreign ports on the coast where port conditions and landing facilities would hardly be the same as at the more developed ports while the Railway rates from such foreign ports on the coast to British India would make such traffic prohibitive in cost.

My Committee would point out here that Reservation of Coastal Traffic to Indian-owned vessels would save to the country a large amount of money now

drained away in the shape of coastal freights by foreign shipping. It will result in the rates of coastal freights being fixed under really competitive conditions instead of arbitrarily as now by a monopolistic combine and ring. This will reduce the cost of commodities to the consumers of articles carried by coastal steamers. Moreover, trade between small ports will be encouraged by the policy of Reservation and more terminal ports are likely to be opened out. Besides, new revenues of employment will be available for the youth of the country, who are now denied any opportunity of learning the technique of navigation owing to the policy of racial exclusion on the part of foreign shipping companies who practically monopolise the coastal traffic to-day.

*Calcutta, 1st June 1928.*

**THE INDIAN MERCHANTS' ASSOCIATION OF  
CHITTAGONG, CHITTAGONG.**

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The Indian Merchants' Association of Chittagong have accorded their wholehearted support to Mr. Haji's Bill for the Reservation of the Coastal Traffic of India.

*Chittagong, 13th August 1928.*

**THE BURMESE CHAMBER OF COMMERCE,  
RANGOON.**

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The Chamber approves of the above Bill (The Reservation of the Coastal Traffic of India Bill).

*Rangoon, 6th June 1928.*

**BURMA INDIAN CHAMBER OF COMMERCE,  
RANGOON.**

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With reference to your Marine and Commerce Department letter No. 140-R. 28 (294) dated the 23rd April, 1928, I am directed by the Committee of this Chamber to send hereby their views on the Reservation of the Coastal Traffic of India Bill.

2. The reservation of the coastal trade has been recognised in all maritime countries as one of the most powerful and effective factors in the development of national shipping. Even the Indian Mercantile Marine Committee which was appointed by the Government of India, to consider the ways and means for the encouragement of ship-building and the growth of an Indian Mercantile Marine recommended that the Indian Coasting trade should be reserved for ships the ownership and controlling interests in which were predominantly Indian. My Committee regret to note, however,

that the Government of India have not only refrained from giving effect to this modest recommendation but have actually opposed it. The present Bill is an attempt to introduce legislation in pursuance of the recommendation of the Indian Mercantile Marine Committee referred to above.

3. The attitude of the Government of India in respect of the proposed legislation is indicated in a speech delivered by Sir Charles Innes, as member for Commerce, in the Legislative Assembly on the 19th March, 1926 to which the Honourable Sir George Rainy referred when speaking in the Legislative Assembly on the motion to circulate the Bill under reference on the 22nd March, 1928. The Honourable Sir George Rainy declared :—

“ But I am anxious to make it clear that while Government do not oppose the motion for circulation, they do regard the objections raised by Sir Charles Innes on that occasion as very serious and very important, and unless a further examination of the subject should show that they were not well founded, these objections would I think be regarded by them as very nearly conclusive against the scheme.”

My Committee therefore propose to reply to some of the main objections raised by Sir Charles Innes.

4. The main objections put forward by Sir Charles Innes were :—

- (1) That the country had not been brought into contact with the facts of that subject (i. e.,

the reservation of the Indian coasting trade);

- (2) That the policy of reservation would introduce the principles of expropriation and flag discrimination;
- (3) That viewed as an economic proposition the result of reservation must be that freights must go up and that the enhanced freights would fall mainly on essential commodities like oil, coal, rice and food-grains; that there would be a curtailment of shipping facilities, which would react with special severity on minor ports; that viewed solely as an economic proposition, the reservation of the coasting trade would be bad for India's trade, bad for India's industries and bad for the industrial development of India.

5. In examining the objections mentioned above I am directed to point out what Sir Charles Innes observed in his speech:—

“ We recognise that it is perfectly legitimate, perfectly natural, that the people of India should desire to have a mercantile marine of their own ..... We recognise further that Indian Companies, as things are at present, have difficulties in forcing their way into the coasting trade.”

My Committee are surprised that while making the admissions mentioned above, Sir Charles Innes, on behalf of the Government of India, had not a single

constructive suggestion to put forward as to how an Indian Mercantile Marine was to be built up.

6. As for objection (1) my Committee would have been better able to answer a specific charge instead of a general statement that the country had not been brought into contact with facts on that subject. Even such a statement sounds inconsistent with the admission of Sir Charles Innes that the desire of the Indian people to have a mercantile marine of their own is perfectly legitimate, perfectly natural. The want of an Indian Mercantile Marine has been very seriously felt by every section of the Indian people for a very long time past. The unworkable rates quoted by the unsympathetic non-Indian companies impeding the growth of Indian industries, the hardships that the commercial and travelling section of the Indian people have been subjected to, the studied boycott of Indian talent by shutting out Indians from higher appointments, are only few of the many grievances that have aggravated the perfectly legitimate, perfectly natural desire of the Indian people to have a Mercantile Marine of their own. These grievances have in recent years found expression in a definite demand for the creation of an Indian Mercantile Marine assisted in various ways by the state, and all the Indian witnesses that appeared before the Indian Mercantile Marine Committee expressed themselves in favour of such a proposal. It is not understood, therefore, what Sir Charles Innes meant when he urged that the country had not been brought into contact with the facts on the subject.

7. As regards objection (2) mentioned above, my Committee beg to point out that Sir Charles Innes



himself has admitted that "other nations have reserved their coasting trade and have thereby admitted the principle of expropriation," adding that "it is because they thought that in the long run it would pay them to take that course in the interests of their own safety." My Committee, therefore, beg to submit that there is nothing to prevent India from adopting the policy of reserving her coasting trade in the interests of her own safety as has been done by other countries. But Sir Charles declares that "the overmastering necessity (of defending one's own country) is not present in India." This argument, however, has now lost all its force when the question of establishing the Royal Indian Navy has been an established fact. With regard to the argument about expropriation my Committee submit that no foreign interests can claim any inviolable and eternal rights against the economic and national interests of a country.

8. As regards the contention of Sir Charles Innes regarding flag discrimination, my Committee beg to point out that that contention has the support neither of past history nor of modern practice. The principle of flag discrimination refers to foreign maritime trade and not to coastal trade which is recognised to be the domestic concern of a country. In all maritime countries, the policy of reserving the coastal trade for the development of national shipping has always been recognised and adopted. Even England adopted the policy of coastal reservation for a very long time and abandoned it only when she found her mercantile marine strong and powerful enough to withstand all competition after centuries of spoonfeeding on the preserves secured to it under the Navigation Laws and

when she felt that after having gained all that was to be gained under the Navigation Laws, it suited her better in her bid for commercial supremacy to profess and preach the Free Trade policy. The fact that even now almost the whole of the coastal trade of the United Kingdom except a negligible fraction of it is in British hands renders the adoption of the Free Trade policy very convenient at such an insignificant price.

9. Coming to objection No. (3) as regards the economic loss, Sir Charles Innes contends firstly that the result of the reservation must be that freights must go up. My Committee, however, firmly believe that the result would be otherwise. At present the two British shipping companies which have been handling the coasting traffic, so far enjoy a virtual monopoly and are therefore in a position to dictate their own terms to the coastal shippers. Their arrangements with the railways in the past have completely ignored the interests and the convenience of the Indian public and have proved detrimental to Indian trade and industries. Further, these non-Indian concerns have no national outlook and therefore their policy is determined by motives unsympathetic to national interests. If, however, the coasting trade is reserved to Indian shipping it is quite certain that a number of companies will be floated to handle the coasting traffic and owing to the healthy competition between these companies, the rates of freight will remain at a reasonable level. Besides this, these concerns will have the general interests of the country at heart, and their policy is bound to be shaped with a view to encourage Indian trade and industries which in

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the long run will bring increased traffic. As the bulk of the coastal trade in India consists of cheap articles of necessity like agricultural produce my Committee are strongly of opinion that adequate and cheap transport facilities are a crying need of the country and they are convinced that the reservation of the coasting trade would go a long way in meeting this need.

10. Sir Charles Innes further observed that the enhanced freight would fall mainly on essential commodities like oil, coal, rice and food-grains and further that "if any gain is to be got out of it, it will go to Bombay. But the price is going to be paid by Burma and Bengal." My Committee regret to observe that Sir Charles Innes has tried to play upon provincial jealousies. It is to be regretted that this solicitude on the part of the Government for Bengal and Burma did not manifest itself when the British shipping companies waged a ruinous and relentless freight war against shipping companies belonging to those provinces, and the Government watched without concern the exhaustion and ultimate break up of the Indian Companies.

11. As regards the contention of Sir Charles Innes regarding the curtailment of shipping facilities which would react with special severity on minor ports, my Committee beg to submit that at present the development of minor ports has been woefully neglected, British shipping companies having in agreement with the railways followed the policy of concentration of traffic at the few major ports. The result is that the Indian traders in the interior have to

pay more in the shape of freight than they would have to in case the minor ports were developed. India has got a vast sea-board, having a number of ports which can be suitably developed in the interests of the country's trade and industries. But such development has been neglected in the interests of the existing shipping companies and the railways, which are working in close co-operation without the smallest regard for national interests. The closing of the Port of Tirumvasal to the detriment of the Indian public mentioned before the Acworth Railway Committee is an instance of the policy adopted. My Committee, therefore, believe that the reservation policy, if adopted, would, instead of curtailing shipping facilities, provide more adequate facilities and tend to develop minor ports, which is an urgent necessity.

12. There is another aspect of this question which Sir Charles Innes has failed to appreciate. As at present the railways enjoy a virtual monopoly for the internal transport needs of the country. This in itself is undesirable and is further aggravated by the unsympathetic rates policy adopted by the railways. By the creation of a national mercantile marine plying on the Indian coast an alternative route will be provided at the ports which, in its turn, will act as very salutary check on the monopolistic rates now charged by the railways in India. This is bound to have a very favourable effect on the economic conditions of the country.

That in England the alternative route by the coast is recognised to be a healthy check on the rates for internal traffic charged by the railways will be

evident from the statement of Mr. Philip Burt, Lecturer, London School of Economics, in the course of a paper read before the Institute of Transport. He stated :—

“We must realise that it is not Parliament alone but the natural facilities for alternative transit which a generous Providence has furnished which provide the real limitations in the way of maxima beyond which Railway Companies cannot charge if they mean to keep the traffic.”

This fact was also previously pointed out in the report of the Royal Commission on Railway Rates of 1882 where it was stated that “three-fourths of the traffic of the United Kingdom has its maximum fixed not by Act of Parliament but by the laws of nature and the fact that Great Britain is an Island.”

If in England where the internal traffic travels comparatively short distances, the influence of the coastal route is found so necessary, in India where the distance travelled by the internal traffic is so great and the nature of the bulk of the traffic is low priced agricultural and mineral produce, there is all the stronger justification for the development of the coastal trade by means of a national Mercantile Marine to serve the economic needs of the country.

13. In conclusion the member says that it must not be forgotten that in the past the Indian shipping and the Indian ship-building flourished and had attained an eminence, in comparison with the shipping and ship-building of other countries. As, however, India

came under the influence of the East India Company, Navigation Laws which were intended to nourish British shipping were so directed as to discourage Indian shipping and ship-building industries. It is a historical fact that the shipwrights of England grew jealous of the supremacy enjoyed by the Indian ship-builders and ultimately succeeded in placing serious obstacles under certain sections of the Navigation Laws which may be held responsible for the extinction of the once thriving shipping and ship-building industries of India. It can, therefore, be legitimately expected that the wrongs and injustice done to these important Indian industries may to some extent be redressed by the Government of India by accepting the demand of the Indian public in connection with the development of Indian shipping.

14. It will thus be observed that the objection raised by Sir Charles Innes cannot be substantiated on closer examination. The reservation of the coasting trade, instead of being bad for India's trade, industries and industrial development as contended by Sir Charles Innes, would go a long way in encouraging and developing India's trade and industries and directing her trade in the right channels. The sea-faring instinct of Indians is an acknowledged fact and the reservation policy would open up new careers and provide employment for a large number of Indians. This in itself would be a great economic gain. Viewed as a whole, therefore, the reservation policy is calculated to be economically beneficial to the interests of the country. Besides this, an Indian Mercantile Marine would provide a second line of defence in times of war and India with a mercantile marine would be a stronger

component part of the British Empire than India without it. On all these grounds, therefore, my Committee strongly support the Bill introduced by Mr. S. N. Haji in the Legislative Assembly.

*Rangoon, 1st June 1928.*

**THE UNITED PROVINCES CHAMBER OF COMMERCE,  
CAWNPORE.**

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I am directed by the Committee of the Chamber to acknowledge the receipt of your letter No. 893/XVIII-209 dated, April 26th, 1928, forwarding a copy of the Reservation of the Coastal Traffic of India Bill, with the statement of objects and reasons, and inviting the views of the Chamber on the provisions of the Bill.

The shipping industry, which, in these days of large scale production and international trade, forms the backbone of industries and trade of any country, was once in a very flourishing condition in India. Indian vessels not only controlled the Coastal Trade but handled a good deal of foreign trade also; and ship-building was regarded as an important industry of the country. But owing to divers causes, which it is not necessary to go into here, this industry has declined and the carrying trade of India has passed completely into foreign hands. The Coasting trade also has become almost a monopoly of non-Indian concerns, who, with the help of deferred rebate system, rate wars, cut-throat

competition, and various other kindered devices, do not allow indigenious enterprise to enter the field.

To improve this deplorable state of affairs and to consider measures that could usefully be taken for the encouragement of ship-building and the growth of an Indian Mercantile Marine, the Government of India appointed the Indian Mercantile Marine committee in 1923. This committee among other things recommended that the Indian Coasting Trade should be reserved for ships the ownership and controlling interests in which are predominantly Indian. The Bill introduced by Mr. Haji seeks to regulate the coasting trade of India by a system of licenses as is at present done in Australia, Canada and other countries of the world.

There is nothing in this bill which is either novel or contrary to international usage. It is a modest measure compared with the Legislative enactments which other nations of the world, anxious to build up their National Mercantile Marines, have resorted to at different times. Perhaps no country has done more in this direction than England. The history of maritime legislation in that country dates back to the year 1381. Under the famous Navigation Acts of XVII and XVIII centuries not only the Coastal Traffic of England was reserved for English ships but most elaborate and stringent regulation and control exercised to ensure that the bulk of the foreign trade also should be carried in English bottoms. These Navigation Acts were not repealed till the middle of last century when England had attained an undisputed supremacy among the maritime nations of the world. Then it was



that the policy of national monopoly gave place to that of reciprocity. Since British shipping was larger than any other country with which these reciprocity treaties were negotiated, England stood to gain by these mutual concessions. The same policy, however, cannot be beneficial to a country like India which has practically no national shipping of its own. Many countries, which have developed powerful mercantile marines capable of holding their own in international competition still consider it safe to retain protective legislation on their statute books. The position in India is much worse than it was in England in the seventeenth century. As already pointed out, foreign vested interests here stand as an almost insuperable obstacle in the way of indigenous enterprise. The development of a national mercantile marine seems to be forlorn hope unless the Government are prepared to actively foster and encourage indigenous enterprise through protective legislation and by means of other measures of direct and indirect state-aid which have been adopted by other countries and some of which have been recommended by the Indian Mercantile Committee. The Reservation of the coastal trade to National shipping is only one of these measures.

The specific provisions of the Bill are, in the opinion of my Committee, most reasonable. In England, when the coastal trade was reserved for English ships, not only English ownerships and control insisted upon it but even master and crew were required to be English. My Committee strongly support the Bill and hope that it will be placed on the statute book at an early date and will be followed by other similar measures aiming

at the development of a strong and efficient National Mercantile Marine.

*Cawnpore, 9th June 1928.*

**THE BUYERS & SHIPPERS CHAMBER,  
KARACHI.**

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I have been directed by my Chamber to inform the Governments of Bombay and of India that the provisions of the Bill are so very straight forward and in consonance :—

- (1) with the universally acknowledged principles,
- (2) with the International Laws, and
- (3) with the recommendations of the Indian Mercantile Marine Committee, that there appears to be no necessity of entering into their merits, but it is considered imperative to offer—
  - (1) replies to the arguments gratuitously advanced by Sir Charles Innes in 1926,
  - (2) replies to the arguments of Sir George Rainy and other arguments, and to deal with
  - (3) the causes which resulted in the failure of Indian shipping enterprise,

- (4) the reasons why the proposed bill should be supported and legislated, terminating with "inferential remarks" and "Conclusion".

It is also necessary to explain why it has been said "gratuitously" advanced by Sir Charles Innes.

The question before the House then was merely that of the establishment of a Training Ship. Debate on all important controversial questions was, by common consent, adjourned to a future occasion, when the House would be fully represented, and yet Sir Charles Innes considered advisable to enter into controversial questions when the representatives of people were not on the floor to reply to his criticisms made in an unconvincing and misleading speech and to place before the House the confirmed demand of the country in regard to the question of the development of this great National Industry.

## PART I.

### *Sir Charles Innes' Arguments.*

The arguments of Sir Charles Innes are reproduced below, and against each argument, the reply is given.

#### *Argument.*

- (1) That the Country was not brought into contact with the facts of the subject.

#### *Replies.*

- (1) When the Indian Mercantile Marine Committee was touring India, about 40 Indian witnesses,

which was practically the total number of Indian witnesses, with one accord expressed themselves *wholly* in favour of this policy, *viz.*, RESERVATION OF THE COASTAL TRADE.

(2) Out of these 40 witnesses, 15 were representatives of Indian Commercial Associations representing the interests of Shippers, Industries & Commerce.

Therefore the argument of Sir Charles Innes that the Country did not know what it wanted is entirely incorrect in face of this fact.

*Argument.*

(2) That the policy of RESERVATION would introduce the principles of :—

- (a) Flag discrimination.
- (b) Expropriation.

*Replies.*

- (a) Flag discrimination :

The Reservation of the Coasting Trade of a country cannot be an act of 'Flag discrimination,' for it is *universally* recognized as its domestic concern and preserve.

The International Shipping Conference is the most authoritative exponent of the views of the ship-owners of the world.

The International Shipping Conference is distinctly opposed to the argument of Sir Charles Innes that the

RESERVATION of the Coasting Trade for its own nation, constitutes an act of 'Flag discrimination.'

'Flag discrimination' was distinctly made clear at the third International Shipping Conference at London, and the history is as under.

*Article of the Convention of 1923 reads :—*

"Subject to the principle of reciprocity and to the reservation set out in the first paragraph article 8, every contracting State undertook to grant the vessels of every other contracting State, equality of treatment with its own vessels, or those of any other State whatsoever, in the maritime ports situated under its sovereignty or enjoyment of the benefits as regards navigation and commercial operation which it affords to vessels their cargoes and passengers."

At the discussion in the Conference, where responsible representatives of various countries were present, attention was drawn by members, whose coastal trade was reserved for their own nations, to this article which was *NOT* to have any reference to their right to their reservation of the Coastal Trade.

This point was again fully discussed at the third International Shipping Conference held in London, presided over by Mr. Runciman, the *ex-President* of the Chamber of Shipping, London, when to the definite point raised by the American Delegate, that there must be nothing in the resolution of 'Flag discrimination' to limit the control of any nation over its coastal trade, he was answered by the *ex-President* of

the Chamber of Shipping London, in the following distinct words :—

“ May I point out that at the Conference last year, resolutions which were carried referred in each case to International Commerce, and I should gather that by International Commerce was not meant the internal commerce of any power, but commerce conducted between Nations.”

That such was the principle accepted by Great Britain is manifested in the case of Great Britain recognizing the right of Greece to reserve its coasting trade to its own nationals, and in consequence of which Great Britain relaxed some of the terms of the treaty.

All these facts, and supported by the acceptance of the principle by Great Britain herself in case of Greece, go to establish that the policy of RESERVATION does not infringe the International Law or amount to an act of “ Flag discrimination.”

*Argument.*

(b) Introducing the principle of expropriation.

*Replies.*

We have the following admissions of Sir Charles Innes before us, *viz.* :—

(1) Other nations have reserved their coasting trade and have thereby admitted the principle of expropriation.

(2) It is because they (*i. e.*, other nations) thought that in the long run it would pay them to take that course in the interests of their own safety.

Whenever India has asked for self-Government, she has always received the retort :—

“ First learn to defend your country  
and then ask for self-Government.”

And therefore, is it not fair and just for India to ask for this course, *vis.* Reservation of Coastal Trade in the interest of her own safety? Reservation of her coastal trade in the interest of her (India) own safety, as has been done by other countries, is therefore a paramount necessity.

(3) Royal Indian Navy is no more a theory, but an established fact and this is in direct negation of Sir Charles Innes' contention that “ The over mastering necessity (*vis.*, of defending one's own country) is not present in India.”

(4) And lastly, the Indian Mercantile Marine Committee has suggested a procedure to carry out the policy of RESERVATION of Coastal Trade which cannot give rise to the question of expropriation, and Sir Charles Innes has admitted that the principles of expropriation “ could not be worked out in a more “ considerate manner, than that suggested by the Committee (Indian Mercantile Marine).”

#### *Arguments.*

(3) That the policy of Reservation would involve the country into :—

- (i) Economical loss.
- (ii) Inefficient service.
- (iii) Rise in freight.

*Argument.*

- (i) Economical loss.

*Replies.*

History proves it otherwise and the most glaring examples are those of Germany, America, Japan and Great Britain herself.

While giving evidence before Sir John Biles who was deputed to Japan by the Indian Mercantile Marine Committee to examine witnesses, Mr. Y. Ito of the Nippon Yusen Kaisha, Tokyo, said thus :—

“ The prohibition of foreign shipping from  
“ engaging in the coastal trade proved effective  
“ in protecting the Japanese Mercantile Marine  
“ in the earlier stages of its development.”

Great Britain herself had the benefit of protection of Navigation Laws for more than two centuries.

Extract from the book “ The War and the Shipping Industry ” by Mr. Fayle, published under the auspices of the Carnegie Endowment and therefore an authoritative publication reads :—

“ Those Acts (Navigation Acts) were based on  
“ the preservation for British shipping of a



“ monopoly of the Colonial and Coasting Trade  
 “ and on the prohibition of Imports from Europe  
 “ in Non-British ships, other than ships belong-  
 “ ing to the country whence the goods were  
 “ derived. Their object was two fold :—

- (1) To foster British shipping by the crea-  
 tion of a lucrative monopoly.
- (2) To inflict the utmost possible damage  
 on the Dutch, who were at that date sup-  
 reme in the general carrying trade.

Thus, the effects of the Navigation Laws for Great Britain had far reaching effect, and which resulted in the growth of the Mercantile Marine, who have now even after the repeal of these laws, 95% of its coasting trade in the hands of National Shipping.

*Argument.*

- (ii) Inefficient service.

*Replies.*

Sir Charles Innes has not supported his argument by any concrete facts.

The country's Shipping in the hands of the Indians has never received any support from the Government of India or its various other executive departments.

All fact contracts for transport of mails, of drafts in armies, of military and civil stores, and even of the transport of coals on account of State Railways, have been placed with the favoured English Companies.

*Replies.*

Apart from these direct helps bringing colossal profits to the English owned and English controlled companies, the Government of India has very kindly winked at the deferred rebate system introduced by these companies to bring check on the progress of Indian concerns.

If the Government of India had been as alert in the interests of India as the South African Government, which latter legislated the deferred rebate system as illegal, and threatened to terminate their mail contract even, if the company having the contract for conveying mails indulged in the deferred rebate system, India would have seen the growth of many Indian Shipping concerns, which would have been far more efficient in the interest of Indian trade and passengers and the hardships now experienced would have disappeared long ago.

*Argument.*

(iii) Rise of freight.

*Replies.*

This is another scare-crow argument.

History of economics reads differently. There is enough capital available in India to launch into this national industry, if only the direct and indirect helps given by Government to the English owned and controlled companies were to cease by legislation.

These various growths will check any rise in freights, because there would be healthy competition.

But even assuming that such will be the result, the country will soon find 'Ways and Means' of checking the dreaded course.

So long as each individual concern has to run on its own resources, no concern will think of such a suicidal course.

It has been pointed out that Reservation of Coastal Trade gave rise to freights in Chile, Algiers and Australia.

The argument based on Australian experience is given on the minority opinion of 2 out of 7 Royal Commissioners ; whereas 5 were definite in their opinion that the policy of Reservation did not affect the trade of that country.

Reservation of Coastal Trade is not going to be by a stroke of pen, on and from a given day.

It is a slow and gradual achievement to be completed during a course of some years.

The arguments of 'Inefficiency of services' and 'Rise in freight' are therefore mere verbal quibbles, to cause apprehensions seeking unduly to protect the foreign vested interests which at present actually have monopolized the coastal trade.

## PART II.

### *Sir George Rainy's Arguments.*

When the motion for circulating the Bill for eliciting opinions was before the House, Sir George Rainy raised another argument. This argument is dealt with below.

*Argument.*

That the reservation of coastal traffic to Indian Shipping would involve a breach of International agreement, and in particular of the convention on International regime of maritime ports to which India is a signatory, if the French and Portuguese Ports on the Indian Coast line were included in such reservation.

*Replies.*

The first part of the argument has been fully dealt with under 'Flag discrimination' on page 2 as regards the "Breach of International Agreement."

The Maritime Ports, Convention to which Sir George Rainy has referred, does *NOT* cover the question of coastal reservation which was specifically left outside its purview.

As regards the question of French and Portuguese Ports in India, the interests of French and Portuguese shipping being not involved in the question of reservation, no technical difficulty arises.

And since both these countries have reserved their coastal trade to their own nationals, they would readily accept the justice of demand by India and it would not be difficult for the Government of India to negotiate with them for a satisfactory conclusion.

The quota of trade given by these Foreign Ports in India is quite negligible, and no measure of a

National magnitude can ever be stayed on the consideration of the presence of a few square miles of foreign territory on the vast coast line of India of over 1,400 miles.

If such technical difficulties had arisen in any other foreign State or Dominion of Great Britain, Great Britain herself would have come forward to settle the question.

But, unfortunately where India is concerned no stone is left unturned to cause opposition to the National rights of the country.

*Other Official Arguments against Coastal Reservation.*

It is also considered essential, that other official arguments raised against the Coastal Reservation be dealt with. They are:—

1. Dubious position of India as a member of the Empire.
2. No finance.
3. Staple trades of provinces will suffer by the adoption of coastal reservation.
4. The coal trade of Calcutta will suffer.
5. Indian Trade being seasonal, tonnage will lie idle.

The Chamber deals with each of these arguments as follows:—

*Argument.*

1. Dubious position of India as a member of the Empire.

*Replies.*

This argument was advanced simply because it was known that India was subjected to disabilities and inconveniences of being a dependency.

But this bogey was exposed by persons valuing justice above other interests. The Crown Solicitors have opined that India was thoroughly competent to adopt the measure of Coastal Reservation.

*Argument.*

2. No finance.

*Replies.*

This is always the first bogey raised whenever India puts forward any legitimate demand. At no stage the country demanded the Government to finance the shipping, and therefore there appears no reason to deal with this argument.

But it may be interesting to know some figures relating to rail and water transports.

The entire Merchant Marine of the *world* in 1914 was put at 42,514,000 tons and its value according to Mr. G. A. Salter, Chairman of the Allied Maritime Transport Executive during the war was ...£ 300,000,000.

The entire Merchant Marine of the World according to Lloyds Register Office for 1923 did not exceed 57,939,000 tons, excluding ships below 100 tons

gross, *i. e.*, about 27% over 1914 tonnage, and allowing a reasonable cost for this construction, the total amount would be ... .. £ 455,000,000 which @ exchange 1/6 would be about Rs. 6,08,56,25,000.

The total expenditure incurred on the construction of all the Railways in India, up to the end of 31st March 1922, according to official figures amounted to Rs. 6,56,06,00,000.

Leaving alone the further programme of Rs. 150 crores submitted by Government before the Inchcape Committee to be spent in the ensuing 5 years, the capital out-lay in India on rail transports in 1922, was Rs. 47,49,75,000 more than the cost of the entire world sea-tonnage excluding vessels of 100 tons gross was, in 1923.

It is estimated that to maintain an efficient Coastal Service in India, including Persian Gulf, 60 First Class Mail carrying passenger steamers and 100 cargo vessels would be very ample, and including the necessary tugs, tenders, barges, etc., the cost would not be more than Rs. 24 crores.

Compared with this legitimate out-lay, which would be put forward by private enterprise in the interest of the safety of India, the Coastal Reservation, the Government of Bombay will find almost double the waste of public money on their ill advised Back Bay Scheme.

These comparative figures of costs of two transports, rail and water; in India though not germane to the

question will be an eye opener to those who oppose the interests of India with all the influence and power they possess.

*Argument.*

3. Staple trade of provinces will suffer by the adoption of Coastal Reservation.

*Replies.*

It is pointed out that the bulk of the coastal trade originate in Bengal and Burma and as these provinces have no Indian shipping companies of great magnitude, Bombay will benefit by reservation of trade. This is sheer incitement of provincial jealousies by misleading statements. In the first place the reservation of the coastal traffic will give the real impetus to the starting of big shipping companies at all important ports in India. Secondly, even as matters stand to-day, Bengal and Burma empty their purses in the coffers of non-Indian companies, a position far more untenable than the one imagined by those that advance these arguments. The gain that will result to India by reservation, is the common gain of all the provinces.

*Argument.*

4. The coal trade of Calcutta will suffer.

*Replies.*

It is argued that coal trade being open to tramps, the coastal freights are kept low.

Reservation would stop this and in consequence it is alleged, the coal trade will suffer.



Taking the years 1923/24 and 1924/25, the first of which was a typical year, the results are as under :—

	<i>Tons transported coast-wise.</i>	<i>Sailings.</i>		
		<i>Liners.</i>	<i>Tramps.</i>	<i>Total.</i>
1923/24 ...	10,94,760	144	31	175
1924/25 ...	8,60,773	113	21	134

The above will expose at a glance the hollowness of the argument and further comments are not necessary.

*Argument.*

5. Indian trade being seasonal, tonnage will lie idle.

*Replies.*

It is very kind of some officials to sympathize with the Indian capitalists.

To remove their cause of anxiety the figures are taken for two years including the most seasonal port of India, *vis.*, Rangoon, which is a single commodity port.

	<i>Sailings.</i>			
	<i>Rangoon.</i>	<i>Calcutta.</i>	<i>Bombay.</i>	<i>Karachi.</i>
1924—First-Half ...	260	33	57	29
Second „ ...	251	30	57	20
Difference ...	-9	-3	...	-9
1925—First-Half ...	331	23	55	23
Second „ ...	310	30	63	25
Difference ...	-21	+7	+8	+2

These figures are self-convincing and the apprehensions of some kind friends of India are not borne out by statistics.

### PART III.

#### *Causes for Indian Shipping Failures.*

It is computed that no less than ten crores of rupees were sunk and lost by way of capital by Indian Shipping Companies, which tried to get a footing in the Coastal Trade, their national preserve of the country, and therefore it is felt essential that the causes which made the Indian Shipping enterprize fail, or which retarded their progress, should also be briefly examined.

1. The monopolists were and are the 'pets' of the Government of India.

2. Every care was taken by the Government of India and their various executive departments to see that no contract connected with the transporting of mails, merchandize, men or even coals was advertised.

3. Every care was taken by the bodies referred to in No. 2 above to see that all these contracts were placed with the monopolists, and at rates which should give them handsome returns.

4. Even when it was inquired of a particular department which had the placing of transport of coal for State Railways by steamers, there was at first a flat denial that the contract was contemplated, but subsequently the very department placed a very big contract for transporting coals with one of the monopolists.

5. Thus fostered by the Government of India and its very many executive departments, the monopolists were able, in the first place to build up large reserves and in the second place were protected from competition of indigenous Shipping Lines, in important contracts.

6. With large lucrative contracts of transporting mails, men, merchandise and coals from the Government of India and their executive departments, the monopolists launched ruthless freight-cutting war to stamp out the competition of indigenous shipping concerns, Indian owned and Indian controlled.

7. Several indigenous shipping companies were not able to withstand this freight war, and they were wiped out.

8. When all attempts at freight-cutting war failed, in case of one Indian Shipping Company the monopolists introduced the deferred rebate system.

9. This deferred rebate system, the very root of destruction of fair and open competition was not opposed by the Government of India, and was not legislated as *illegal*, same as the South African Government have done in the common interests of their country.

10. The monopolists were thus aided by the Government of India in giving them Government's lucrative contracts and were tolerated in their method of deferred rebate system, ruinous to indigenous competition of private owned companies,

We have before us the statement of Sir Charles Innes, the Executive Councillor in charge of Railways and Commerce, etc. :—

“Indian Companies, as things are at present, have difficulties in forcing their way into the Coasting Trade,”

and yet

no legitimate steps were taken or placed before the Government by this Executive Councillor, in the interest of the Indian subjects, but on the contrary he was pleased to raise several plausible objections against the legitimate demand of the Country, and which objections have been dealt with in Part I of this representation.

#### PART IV.

##### *Reasons for Supporting the Coastal Bill.*

1. It is acknowledged and the last war has most conclusively proved that the Mercantile Marine of a Country is its second line of Naval defence.

2. The first line of defence is the Navy of the Country, and the Indian Navy is no more a theory, but an established fact, and having the full support of the Government of India.

3. With the establishment of the Indian Navy, it is absolutely necessary that the Mercantile Marine. *Indian owned and Indian controlled*, should be promoted as a second line of Naval defence.

4. Reservation of Coastal Trade is the *sine qua non*, and the universally recognized method of building

up such a marine, the second line of Naval defence, as is evidenced by the example of all important maritime countries.

5. This second line of Naval defence, the Mercantile Marine is a nursery of seamen for the first line of defence the Navy.

6. Therefore both the Indian Navy, the first line of Naval defence and the Mercantile Marine, the second line of defence, must be inaugurated simultaneously.

7. The principal recommendations of the Indian Mercantile Marine Committee were :—

- (a) Establishment of a Training ship.
- (b) Reservation of the Coasting Trade of India to Indian Shipping.

The Indian Mercantile Marine Committee, in paragraph 41 of their report observed :—

“ It is our considered opinion that the provision  
 “ of facilities for the training of Indian Officers  
 “ and Engineers alone is not sufficient to meet  
 “ the requirements of the case, and that some  
 “ further steps are required to achieve the object  
 “ in view. These further steps we recommend  
 “ should be in the form of the eventual reserva-  
 “ tion of the Indian Trade for ships, the  
 “ ownership and controlling interests in which  
 “ are predominantly Indian.”

8. Sir Charles Innes, the Executive Councillor in charge of Railways, Commerce, etc., who had the

kindness of placing plausible objections against the Reservation of Coastal Trade, had been pleased to admit :—

“ You cannot expect the middle class boys of decent education to come forward to be trained as Deck Officers unless they have some reasonable prospects of employment.”

9. And the principle was also recognized by implication by H. E. The Viceroy himself in the appeal which he made in December 1926 to the British Shipping Companies during his speech at Cawnpore to co-operate with the Government of India by giving the young Indian a fair chance of employment on their steamers.

10. But the decision of the British Shipowners has been known, *vis.*, the Indian cadets should look for employment only to Indian Companies and not to British Shipping Companies.

11. It is a fact that only a few years ago the British Shipowners themselves were clamouring for reservation of the Indian Coastal Trade to themselves against non-British bottoms.

12. A leaf has to be taken from the book of Great Britain herself, which by her Navigation Laws extending over a period of two hundred years, was able to establish a Mercantile Marine that even to-day 95% of her coastal trade is handled by her own nationals. It is unbecoming to say, now, that the growth of the British Mercantile Marine did not owe much to these

laws, when the industry (British Shipping) is enormously equipped with resources to fight free competition.

13. The Reservation of the Coasting Trade of a country has always been considered as a very powerful factor in the development of national shipping, and has been universally recognized as a matter of domestic concern.

14. The British Merchant Shipping Act permits in fact every component part of the British Empire to undertake any legislation it chooses with regard to its own coastal trade.

15. This right of legislature has not merely been recognized by Great Britain, but has also been confirmed by the Imperial Navigation Conference of 1907, and which gives to a component part of the Empire a right to exclude under certain conditions ships of other parts of the Empire, and which right Australia took every advantage of, and to which Great Britain did not oppose.

16. The policy of economic protection for the development of a national Merchant Marine has been recognized and systematically encouraged by all the important maritime countries of the world.

17. And this policy has been acknowledged for India by the Executive Councillor in charge of Railways, Commerce, etc., Sir Charles Innes, when he said :—

“ It is perfectly legitimate, perfectly natural that the people of India should desire to have a Mercantile Marine of their own.”

18 With the means of providing safety for the country, a second line of Naval defence, a nursery of seamen for the Indian Navy, building up a National Industry—legitimately and naturally the right of the Indians,—the Indian Mercantile Marine is indispensable for the economic and industrial development of the Country, which are :—

(a) The employment of hundreds of lascars for the country's own benefit, who hitherto serve and man very many Foreign Shipping Companies for bringing them huge profits by their disciplined hard work.

(b) Opening of new careers to the sons of the soil hitherto excluded owing to the policy of racial exclusion.

(c) Development of smaller ports hitherto neglected by the large monopolists.

(d) Reduction in passage money, freight, and resulting in improved service between ports.

If a survey of passage money and the time taken for the journey between ports by the monopolists' vessels be taken and be compared with the passage money and the time taken for covering the same mileage in other part of the world, where there is keen indigenous competition, it would be observed that owing to the monopoly in India, the duration for the journey is more and the passage money for the mileage covered is higher. For freight, a ton of 40 c. ft. cargo is carried from the West Coast of India to the



Mediterranean, Continental or U. K. ports, at an average of 18s. 0d. per ton, equal to about Rs. 12, paying Suez Canal dues, and heavier port and other charges at the destination, whereas the monopolists charge Rs. 20 and more for 40 c. ft. between Calcutta to another port on the West Coast of India, without having to pay any Canal dues, or similar heavy port and other charges.

(c) Retention of Country's wealth in her own Country, and the figures are :—

Rs. 12,00,00,000	(Twelve crores) for Coastal Freight.
„ 1,10,00,000	(One crore and ten lacs) for passengers.
„ 24,00,000	(Twenty-four lacs) for mails.

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Rs. 13,34,00,000. (Total Thirteen crores and thirty-four lacs) to which may be added the amount for carrying regiments, drafts in armies, Government stores and State Railway coals.

#### INFERENCE REMARKS.

My Chamber is constrained to submit that it does not see even a vestige of a valid reason on the part of the Government of India to oppose the Bill now proposed, except that the Government are averse to disturb the monopoly of powerful and influential magnates, who have benefited by untrammelled monopoly, and

who are well established in the grace of the Government of India.

My Chamber would welcome a plain statement that the Government is concerned more with safeguarding the vested interests of the monopolists, than the interest of the Country, whose guardianship and trusteeship they profess to hold. Such a plain statement would be an honest truth, and there would be no necessity of round about fencings to hide the real motives of Government.

The attention of Government is invited to the statement of Mr. Y. Ito of the Nippon Yusen Kaisha, Tokyo, reproduced on page 682 of the Minutes of the evidence recorded by the Indian Mercantile Marine Committee, and to help and to permit India to develop her own resources as if India was a self-governing Country, and not under the button, pressed from Whitehall.

#### CONCLUSION.

Having proved :—

1. That the various arguments advanced by the Government spokesmen were hollow,
2. That the Country had a right both under the International Law, and British Shipping Act, to reserve the Coastal Trade, to her own nationals,
3. That the economic gains to the Country were immediate and far reaching,

4. That Government merely protected the vested interests of the Foreign monopolists as against the natural and legitimate right of the country,
5. That the manner in which the Mercantile Marine Committee had recommended for the completion of the Reservation of Coastal Trade to Indian Shipping, Indian owned and Indian controlled, was considered by Sir Charles Innes, the Executive Councillor in charge of the Railway and Commerce, as "consierate,"

My Chamber supports the bill of Mr. Haji for the reservation of the Coastal Traffic of India to Indian vessels.

And, as the Bill provides sufficient safe-guards for the gradual promotion of the Reservation of Coastal Trade, my Chamber fervently hopes, Government will be pleased to lend its whole-hearted support, taking in view that it is the acknowledged moral and legal right of the Country and which would have been acknowledged by Great Britain herself if India had been a self-governing Country, same as she did in the case of Australia and even Greece, and what Japan was able to do because she was a self-governing Country.

*Karachi, 8th June 1928.*

A

## BILL

TO

*Reserve the Coastal Traffic of India to Indian Vessels.*

WHEREAS it is expedient to provide for the rapid development of an Indian Merchant Marine ;

And whereas for this purpose it is expedient to reserve the Coastal Traffic of India to Indian vessels ;  
It is hereby enacted as follows :—

1. (1) This Act may be called the Reservation of  
Short title, extent the Coastal Traffic of India Act,  
and commencement, 192 .

(2) It extends to the whole of the coastal traffic of British India and of the Continent of India.

(3) It shall come into force on such date as the Governor General in Council may, by notification in the Gazette of India, appoint.

2. In this Act, unless there is anything repugnant in the subject or context :—

Definitions.

(1) "A common carrier by water" means a common carrier by water engaged in the cargo and passenger traffic between any two ports in British India, or between any port in British India and any port or place on the Continent of India.

- (2) "A subject" means a person and includes a Joint-Stock company, corporation, partnership or association existing under or authorised by the laws of British India.
- (3) "Controlling interest" means.—
- (a) that the title to not less than 75 per cent. of the stock is vested in British Indian subjects free from any trust or fiduciary obligation in favour of any person other than a British Indian subject.
  - (b) and that in the case of a Joint-Stock company, corporation or association, the Chairman of the Board of Directors and not less than 75 per cent. of the number of members of the Managing firm of and of the Directors of the Board are British Indian subject,
  - (c) and that not less than 75 per cent. of the voting power is vested in British Indian subject,
  - (d) and that through any contract or understanding it is not arranged that more than 25 per cent. of voting power may be exercised, directly or indirectly, on behalf of any person who is not a British Indian subject,
  - (e) and that by any other means whatsoever control of any interest in excess of 25 per

cent. is not conferred upon or permitted to be exercised by any person who is not a British Indian subject.

(4) "The coasting trade of India" means the carriage by water of goods or passengers between any ports in British India or between any port in British India and any port or place on the Continent of India.

3. No common carrier by water shall engage in  
Licence for Coasting Trade. the coasting trade of India unless licensed to do so.

4. The licence for engaging in the coasting trade  
Issue of Licence. of India shall, on application, be issued by the Governor-General-in-Council, subject to such rules and conditions as may be prescribed in that behalf by the Governor-General-in-Council.

5. Before granting a licence, the Governor-General-  
Security for Licence. in-Council may require security to be given to his satisfaction by the master, owner, charterer or agent of the vessel for compliance with the conditions of the licence.

6. The amount of security required under section 5  
Amount of Security. shall not exceed Rs. 50,000.

7. Every such licence shall be for the duration of  
Duration of Licence. three years only.

8. Every such licence shall on its expiry be renewable on application to the Governor-General-in-Council.

Renewal of Licence.

9. A proportion of not less than 20 per cent. of the tonnage licensed for the first year, not less than 40 per cent. of the tonnage licensed for the second year, not less than 60 per cent. of the tonnage licensed for the third year, not less than 80 per cent. of the tonnage licensed for the fourth year, and all the tonnage licensed for the fifth and subsequent years shall have the controlling interest therein vested in British Indian subjects.

Proportion of Tonnage.

10. The penalty for the contravention of this Act shall be a fine not exceeding Rs. 10,000, or simple imprisonment for a period not exceeding six months, or both.

Penalty.

11. In addition to or in lieu of any penalty otherwise provided, the Governor-General in-Council may cancel any licence for engaging in the coasting trade of India if he is satisfied that a breach of any of the conditions of the licence, as may from time to time be prescribed by the Governor-General-in-Council, has been committed.

Cancellation of Licence.

12. No licence for engaging in the coasting trade of India shall be cancelled, unless an opportunity has been given to the master, owner, charterer or agent of the vessel to show cause against such cancellation.

Opportunity to Show Cause.

**STATEMENT OF OBJECTS AND REASONS.**

The object of this Bill is to provide for the employment of Indian tonnage in the coastal traffic of British India and of the Continent of India. This Bill is intended to serve as a powerful aid to the rapid development of an Indian Merchant Marine. Several attempts made in this direction in the past have all practically failed, owing, it is believed, to the existence of powerful non-Indian interests in the coasting trade of India. There can be no doubt that the growth of an Indian Merchant Marine would prove a powerful factor in the employment of Indian talent and the further extension of Indian trade in various directions in a manner calculated to advance the national interests of India.

**SARABHAI N. HAJI.**



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