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RESERVATION

OF

THE COASTAL TRAFFIC OF INDIA.

EXTRACTS

FROM

THE REPORT AND MINUTES OF EVIDENCE

OF

THE INDIAN MERCANTILE MARINE
COMMITTEE.

1928.

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COASTAL TRAFFIC RESERVATION.

PART I.

*Extracts from the Report of the Indian Mercantile
Marine Committee.*

Development of an Indian Mercantile Marine.

Judging from the tenor of the debate which took place in the Legislative Assembly on the 12th January 1922, we assumed at the outset of our enquiries that it was no part of our responsibility to examine the necessity for an Indian Mercantile Marine and that all that we were required to do was to consider what measures could usefully be taken to this end under the six heads mentioned in the Resolution, which was adopted by the Legislative Assembly and which forms our terms of reference.

As regards the present condition of the Shipping Industry in India, we have been told by one witness that at present less than 12 per cent. of the Coastal Trade and less than 2 per cent. of the International Trade is carried in Indian bottoms. Another witness has gone so far as to say that approximately 90 per cent. of India's Coastal Trade and 98 per cent. of her Export and Import Trade are served by ships which are owned by non-Indian Companies. We have not been able to ascertain how these figures have been arrived at and cannot, therefore, express any opinion as to their accuracy, but we think it is generally admitted

that the proportion of the trade on the Coast which is carried in ships owned by Indians is comparatively small, while the number of Indian Ships which take part in the overseas trade is practically negligible. In any case we know for certain that with the exception of one or two Companies, which are owned and managed by Indians, and possess small fleets, there are no other Indian Companies which possess up-to-date steam vessels capable of competing in the sea-borne trade of India with the established British Shipping lines.

In our endeavour to find out what are the conditions which militate against the development of shipping enterprises by the people of this country, we were informed by a large majority of the witnesses who appeared before us that the absence of Indians from the Shipping Trade is due to the strong position occupied in that trade by the two or more existing British-owned lines which enables them successfully to stamp out competition by rate wars, the deferred rebate system and other methods. These witnesses point to the many attempts which have been made by Indians in recent years to cut into the Coastal Trade and urge that their failure has been due not so much to trade slumps or other fortuitous circumstances but to the cause above-mentioned. Other witnesses, on the other hand, assert that the failure of new ventures on the part of Indians has been made due not to competition from the established lines but to inexperience in the Shipping Trade and mismanagement on the part of the promoters. We find that as regards at least one Company, which has been launched in recent years, the Directors admitted in their report that their failure was due to bad business manage-

ment on the part of the original promoters, and we have little doubt that in the remaining cases which have occurred failure was in some degree due to the same cause. At the same time it is not difficult to see that the system of deferred rebates and rate wars must operate as an obstacle to the entry of new comers. These two systems have, therefore, been strenuously assailed by practically all the Indian and a few European witnesses who appeared before us, and they have strongly pressed for their removal as one of the first steps to be taken to encourage the development of an Indian Mercantile Marine. We do not propose to discuss the merits or demerits of these systems. We are suggesting in condition No. 4 of our recommendations in para 43 that these questions should be considered by the licensing authority suggested.

Recognizing that the whole subject dealt with in our Questionnaire was a highly technical one, we decided to issue with it, for the benefit of those who desired to give evidence, a memorandum briefly explaining the different forms of State aid or protection afforded in other countries for the development of a National Mercantile Marine. It was hoped that this memorandum would serve as a guide to witnesses as to the particular lines on which their views and suggestions were required. Notwithstanding our efforts in this way to keep the enquiry on well defined lines, we found that in their written statements quite a number of witnesses had advocated the application to India of the whole catalogue of measures of State aid and encouragement which had been adopted in other countries. On oral examination, however, we found that those witnesses,

we had given careful study to the subject, recognized the impracticability of adopting all these measures simultaneously and confined their advocacy to such measures only which they considered essential to secure the object in view. We shall now proceed to say what these measures are and what our views are in regard to each.

All witnesses were practically unanimous in advocating that the first step to be taken was to provide for the adequate training of Indians to become officers and engineers in the Mercantile Marine. We agree with this view and in Chapter II of this report have dealt fully with the facilities which we consider should be provided in Indian waters for the nautical training of Indians who desire to follow a sea career. While appreciating the readiness expressed by the existing lines to take Indian apprentices and to employ them as officers after they have been fully trained, we have come to the conclusion, after careful consideration, that the success of the scheme we are proposing for the training and future employment of Indian lads so trained should not be left to chance or the good will of Shipping Companies. We are, therefore, providing in our recommendations for the Coastal Trade that before a license is granted to any Company an undertaking must be given that Apprentices will be taken to the extent of at least two per ship, subject to a maximum of 60 for any one company, and that Indian officers and engineers as they become eligible will be employed up to the extent of 50 per cent. of the total number of officers and engineers employed. In this way, it is hoped in course of time to bring about the complete Indianisa-

tion of the superior personnel of the Coastal Mercantile Marine. The crews of these fleets are already Indian, as we have previously stated, so that it does not appear to be necessary for anything to be done at the present juncture to Indianise the crews.

One section of the witnesses who appeared before us feel that active assistance on the part of Government towards the creation of an Indian Mercantile Marine should stop at the provision of the training facilities and that the rest should be left to a gradual process of development by ordinary commercial methods. They point out that what Indian Companies generally lack at present are proper methods of organization and management by men with practical experience in the shipping trade. This defect, it is urged, will be partly removed by the scheme for the training of Indians in navigation and their employment as officers on ships and partly by such steps as it may be necessary to take to develop an experienced staff for management. The Indian companies which will be formed in future will thus not suffer from lack of experienced officers and managers and will, therefore, be in a strong position to face competition and establish themselves in the trade. The witnesses, who take this view, refer to the case of at least one Indian company which has fought its way into the Conference without any State aid or encouragement and they see no reason why other Indian companies should not be equally successful, provided they have good financial backing, and are properly managed. These witnesses are, therefore, averse to any further assistance being given in the form of the reservation of the Coastal Trade to

Indian owned ships, because they feel that a policy of restriction or exclusion will not be to the advantage of the country as a whole. They point out that there has been no complaint regarding either the efficiency or adequacy of the services offered by existing shipping lines and consider that it would be a mistake to substitute for them an agency, the efficiency of which is problematical and in any case has yet to be proved. They point to the action which has been taken in Australia to place restrictions on the Coasting Trade with the result that freights have risen to the detriment of Australian trade, necessitating the appointment of a Committee, which is sitting at present, to examine the Coastal Trading provisions of the Australian Navigation Act. They are apprehensive that the same result will follow in India if a policy of reservation is decided upon. If reservation is to be introduced at all they suggest that it should be confined to the exclusion of foreign ships only, but they strongly favour the policy of the open door as being the most beneficial to the welfare of India as a whole. This is one side of the question.

The other side of the question has been presented to us by another section of witnesses who have given evidence. Their view is that if, as they understand, the object of this enquiry is to bring an Indian Mercantile Marine into being within a reasonable period of time, then it is not enough merely to provide for the training and the Indianisation of the personnel of the fleet and that in addition it is necessary to provide for the Indianisation of the ownership and management of the ships at the same time. In other words, they

feel that it is not sufficient for Government to assist Indians only to man ships and that in addition they should be given facilities to own and manage them and that the two things should progress side by side. They point out that it is practically impossible under present conditions for Indian companies to gain a footing in the trade and do not consider that this view is controverted by the fact that one Indian company has succeeded in fighting its way into the Conference. That company as they observe, was only successful after a protracted struggle involving heavy losses which other companies with limited resources at their disposal cannot afford to face. It was alleged that the present British shipping lines to a certain extent neglect the small ports on the coast and at Madras we were told of an instance in which a Shipping Company and Railway Company had entered into a contract with a view to attracting trade to a particular port. It was urged that such combinations are prejudicial to the development of the small ports to which, it was claimed, that more attention will be paid when more Indian shipping companies come into existence. They state that if direct action is taken to protect Indian shipping in the Coastal Trade plenty of Indian investors will be forthcoming to put up the money required to start Indian Companies. It is pointed out by these witnesses that the Coasting Trade is the domestic preserve of the people of this country and that it is only right and proper that Indian enterprises in this trade should be especially fostered in preference to Companies run by non-Indians. With this aim in view, they consider that action should be taken to secure that the Coasting Trade of India is gradually reserved for ships which are owned and managed and

ultimately manned by the people of this country. They are averse to the policy of the open door as one which is not conducive to the growth of indigenous shipping enterprises and they do not apprehend that a policy of reservation will be followed by the adverse results described in the preceding paragraph. In any case they consider that in the interests of the Indian Mercantile Marine, the risk, if any, must be faced as it has been faced by every country in the world, including a British Dominion, which has deliberately adopted the policy of reserving its Coasting Trade for its own people in order to encourage the growth of a National Mercantile Marine.

These are the two sides to the question as they have been presented to us by witnesses and we admit that there is a good deal of force in the arguments urged on both sides. It must be stated that so far as the ports served are concerned there is no great fault to be found with the efficiency or the regularity of the services offered by the existing shipping lines and that the question of a replacement of non-Indian lines by Indian concerns does not arise so far as these grounds are concerned. But we have been directed to examine what measures can usefully be taken for the development of an Indian Mercantile Marine, and we cannot agree that the provision of training facilities alone exhausts all the necessary avenues of action which can usefully be taken in the direction indicated.

In other countries, which have desired to develop a National Mercantile Marine, one direction in which action has been taken to this end has been to reserve

the Coasting Trade for the subjects of the particular country concerned. Under the provisions of the Indian Coasting Trade Act V of 1850, the Coasting Trade of India is open to all comers and it is the unanimous opinion of all witnesses who have appeared before us that this Act should now be repealed with a view to the exclusion of foreigners from the Coastal Trade. It is understood that this action was suggested before the war when foreign participation in the Indian Coastal Trade threatened to assume serious proportions. With the outbreak of War, however, foreign competition declined and the proposal was dropped apparently because it was not considered advantageous to impose restrictions on the Coastal Trade at a time when India sorely needed Coasting Ships and was only too glad to receive allied or neutral shipping in her ports. With the return of peace the position has changed and it is understood that there is now a vast amount of surplus tonnage lying at British ports for which employment cannot be found. The present is, therefore, an opportune moment to reopen the question. The Coasting 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. It is admitted that the policy of British Dominions or Possessions in regard to their own Coasting Trades must be determined by their local interests and we are of opinion that in the interests of the growth of an Indian Mercantile Marine it is necessary to close the Coasting Trade of this country to ships belonging to the subjects of foreign nations. It may be necessary to provide that an exception should be made in favour of those foreign States which enjoy any treaty rights in respect of the Indian Coasting Trade

(*vide* Section 736 (c) of the Merchant Shipping Act 1894), but we consider that no foreign ships should under any circumstances enjoy superior privileges to those accorded to British Ships. We have not been able to determine from navigation statistics the extent of foreign participation in the Coasting Trade of British India but the general impression is that it is very small and that in any case it is not large enough to justify the apprehension that its disappearance is likely seriously to injure the commerce of the country. We recommend, therefore, that action should now be taken to repeal the Indian Coasting Trade Act V of 1850, subject to the exception which we have mentioned above.

It has already been explained that a large number of witnesses do not consider that the exclusion of Foreign Shipping alone goes far enough to encourage the growth of an Indian Mercantile Marine and that what is required is action to reserve the Coasting Trade more or less exclusively for shipping companies, the controlling interests in which are predominantly Indian. In other words, the object of these witnesses is to compel existing British steamship lines to gradually Indianise the character of their companies in order that they may be considered eligible to trade on the coast. It is necessary here to examine the possibility of excluding British Ships from the Indian Coasting Trade. As already stated, the policy of British Dominions or Possessions in regard to their own coasting trades is determined by their local interests. This is borne out by Section 736 of the Merchant Shipping Act, 1894, which confers power upon the Legislature of a British Possession, by any Act or

Ordinance, to regulate its Coasting Trade, provided that, in such Act or Ordinance, all British Ships (including the ships of any other British Possession) shall be treated in exactly the same manner as ships of the British Possession in which it is made. We find that the Commonwealth of Australia has taken advantage of the provisions of this Section of the Merchant Shipping Act to introduce a law which has had the effect of conferring on Australian Ship-owners a monopoly in the Australian Coasting Trade. This has been done, not by excluding non-Australian ships in so many words, but by providing in the Australian Navigation Act for a system of control by means of licenses to trade on the Australian coast, which are only granted to vessels engaged in such trade under certain conditions. The conditions attached to the grant of a license for the Australian coasting trade apply to all British ships alike, but the nature of those conditions is such that they have the practical effect of automatically shutting out all except Australian-owned vessels from the Australian coasting trade. It is clear, therefore, that if it is decided to take similar action in respect of the Indian coasting trade in the interests of Indian ship-owners, there is nothing in the British Merchant Shipping Law, which would prevent action of this kind being taken, provided the conditions enforced are applicable to British and Indian ships alike. It is believed to be true that a Committee has been appointed to inquire into and report upon the effect of the operation of the Australian Navigation Act upon the trade, industry and development of that country and that the coastal trading provisions of the Act will form the subject of special enquiry by this Committee. Although,

as before stated, one witness with recent Australian experience, has said that the Act has been prejudicial to trade interests, there is no information whatever at present as to what conclusions this Committee has reached. Until the Australian Committee's Report is published it is impossible to base any conclusions on the experience alleged to have been gained in Australia of the policy of coastal reservation. At the same time it must be pointed out that the system of reserving the coastal trade has been adopted by other countries and is still continued by them. 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.

We do not consider that it is possible to say at this stage whether the reservation of the Indian coasting trade for shipping companies, which are predominantly Indian in character, is likely to be beneficial for India or not, for the simple reason that there are no data at present on which a satisfactory conclusion can be based. In any case, it seems unfair to pronounce any adverse 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. The Honourable Member for Commerce stated in the Legis-

lative Assembly on behalf of the Government that this desire on the part of the people for their own Mercantile Marine was a very natural desire. Recognizing this natural desire we are of opinion that this should be met 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. This should be done by the introduction of a system of licenses or permits as has been done in Australia, except that the conditions to be attached to the grant of a license or permit in India will be different to the conditions imposed in Australia. We recommend that it should be announced now that with effect from a date, to be fixed by Government, the privilege to engage or to take part in the Coasting Trade of India will be regulated by a system of licenses, the conditions of which are indicated in the paragraphs which follow.

The summary of evidence goes to show that an ideal Indian Mercantile Marine may be briefly described as follows :—

- (a) Ships to be registered in India.
- (b) Officers and Crews to be Indians.
- (c) The ships to be owned by Joint Stock Companies (public or private) registered in India

with rupee capital, with a majority of Indians on the Directorate or to be owned and managed by individual Indians.

- (d) The majority of the shares in the companies to be held by Indians.
- (e) The management of the companies to be predominantly in the hands of Indians.
- (f) The ships shall be built in Indian ship-yards belonging to companies constituted in a similar manner.

As an ideal to be worked up to eventually we accept the above definition but for the present we do not consider that it is capable of practical realisation in full. What we wish to provide for in our Coastal Trading 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 on its Directorate and a majority of its shares held by Indians and
- (c) That the management of such company is predominantly in the hands of Indians.

It is not possible at present to provide that the officers and crews should be completely Indian, because it will take some time under our training scheme to produce the requisite number of Indian officers and engineers, but in our Coastal Trading Regulations, which follow, provision has been made for the compulsory Indianization of the personnel. Nor is it possible at present to provide that the ships applying for licenses shall have been built in India, because no shipbuilding yards capable of constructing ocean-going steam vessels exist in this country but we hope that in course of time it will be found practicable to add both these *desiderata* to the conditions of the license, which we propose should be laid down.

It should be announced that on and from a certain date to be specified by Government no ship should be entitled to engage or take part in the Coasting Trade of India unless such ship has first obtained a license from the licensing authority appointed for the purpose, subject to the following conditions:—

Condition 1.—Licenses or permits shall after the introduction of the licensing system be issued to any ship flying the British Flag, provided that it is proved to the satisfaction of the licensing authority that such ship, not being more than 25 years old, has been regularly engaged on the Coasting Trade during the preceding twelve months and that the Joint Stock Company (public or private) or individual by whom it 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 and engineers employed. These licenses shall continue subject to Board of Trade Regulations until the ship has reached the age of 25 years, provided the conditions set forth above are being complied with.

Condition 2.—All ships hereafter seeking to enter the Coastal Trade can only obtain licenses on their complying with such conditions as may be laid down by Government for Indian shipping concerns; provided also that the owners of all such ships are likewise required to give an undertaking on the lines indicated in Condition I regarding the employment of Indian apprentices and the gradual Indianization of their officers and engineers.

Condition 3.—The licensing authority may be given discretion to waive all or any of these conditions during exceptional periods of stress such as trade booms, famines, war, etc., and to issue permits to any ship flying the British Flag to cover such periods as he may consider requisite.

Condition 4.—The licensing authority may also be vested with power to take such steps, with the approval of the Government of India, as may be considered advisable to deal with deferred rebates, rate wars, or any other conditions which act unduly as a restraint on trade.

Condition 5.—Provision should be made that, where by treaty made before the 13th May 1859, Her Late Majesty Queen Victoria agreed to grant to any ships of a Foreign State such rights or privileges in respect of the Coasting Trade of British India, those rights and privileges shall be enjoyed by those ships for so long as Her Majesty agreed or His Majesty the King may here after agree to grant them. This, however, should be subject to the proviso that no foreign ships should under any circumstances enjoy superior privileges to those accorded to British Ships.

Condition 6.—For the purpose of these regulations “Coasting Trade” may be deemed to mean trade exclusively carried on between any port or ports in British India and any port or ports or place on the Continent of India (including Burma).

These, broadly speaking, are the conditions which in our opinion should be imposed under the licensing system which we recommend should be introduced on the coasting trade of India.

PART II.

*Extracts from the Minutes of Evidence recorded by
the Indian Mercantile Marine Committee.*

QUESTION No. 18.

Under the provisions of the Indian Coasting Trade Act V of 1850, the Coasting Trade of India is open to all comers. Are you in favour of this policy or do you recommend any reservation of the Indian Coasting Trade for the development of an Indian Mercantile Marine, and, if so, what?

QUESTION No. 19.

What, in your opinion, would be the effect of any policy of reservation on the Indian Coastal Trade?

REPLIES OF WITNESSES.

Mr. Manmohandas Ramjee (Bombay).

I favour the complete reservation of the entire Coastal Trade exclusively for the development of an Indian Mercantile Marine.

The effect of such reservation will be to encourage Indians to come forward to develop an Indian Mercantile Marine, Indian Shipping Industry and Naval Engineering.

The Bombay Native Piecegoods Merchants' Association.

Our Committee recommends the complete reservation of all India Coasting Trade exclusively for the development of an Indian Mercantile Marine.

The effect of such reservation, in the opinion of our Committee, is that it will be to encourage Indians to come forward to develop an Indian Mercantile Marine, Indian Shipbuilding Industry and Naval Engineering.

Mr. Hiralal D. Nanavaty, Solicitor (Bombay).

The Indian Coasting Trade Act V of 1850 should be amended so as to reserve the Indian Coasting Trade for the development of Indian Mercantile Marine. This may be done gradually in 5 or 7 years.

The effect would be to build up an Indian Mercantile Marine so far as the Coastal Trade is concerned.

Mr. B. F. Madon (Bombay),

(OF MESSRS R. D. TATA & CO., LTD).

I would confine the Coasting Trade entirely to Indian enterprise, as the Coasting Trade is the only trade entirely within our control, the only trade which Indians can legitimately lay full claim to, and the only trade which will provide full opportunities to Indians.

The effect of the reservation of the coasting trade would be to free Indian steamship companies from the risk of freight wars with the very big non-Indian companies now plying their vessels here and to give them a fair chance to survive and make good.

Capt. R. Parcou (Bombay).

I strongly recommend to reserve the right of trading on the Indian Coast to vessels owned and registered in India and receiving Navigation bounties.

The policy would be that all the Indian shippers and ship owners will co-operate with more facility and understanding with each other.

The Bombay Rice Merchants' Association.

We are in favour of an immediate change. We favour a policy of reserving the Coastal Trade to Indian-owned vessels as the United States of America has done.

We believe that the reservation of Coastal Traffic to Indian-owned vessels will develop an Indian Mercantile Marine, thereby pouring thousands of rupees as freight into Indian pockets besides opening up lucrative careers for Indians. Indian shippers will receive better treatment and freight rates will be fixed in the interests of all and not communal and sectional interests.

The Scindia Steam Navigation Co., Ltd. (Bombay).

We believe it imperative, if India is fully to develop her Coastal Trade, that immediate steps be taken to reserve the entire Coasting Trade of India and Burma to Indian shipping as defined in our answer No. 3. It is quite essential in our opinion for building up an Indian Mercantile Marine that no time should be lost in giving practical effect to this fundamental proposition.

Indian shippers will be saved the harsh, tyrannical and even humiliating treatment they have been receiving at the hands of the present-day alien ship-

owners. Rates of freights will no longer be fixed in the interests of European shippers, or European-managed industries alone. Collusion between the ship-owner and the railway authority to oust Indian shipping and help European traders will receive a final death-blow. Trade between small ports will increase in volume, while improvements in the ports themselves, now so sadly neglected, will be effected. New industries will receive a stimulus against their foreign competitors by a careful manipulation of rates of freight. But above all, crores of rupees in the shape of freights will remain in this country and thus add to its capital and prosperity—not to say anything of the extensive opening up of new careers for the youth of this country.

The Indian Merchants' Chamber (Bombay).

As remarked above in the preamble the coasting trade has become almost a monopoly of non-Indian concerns. This is quite the contrary to what is found to be the case with civilized countries, both in the West and the East. Many of these have restricted their Coasting Trade to indigenous concerns. My Committee are also strongly in favour of this policy, and emphatically recommend the reservation of the Indian Coasting Trade for indigenous shipping, the same to be achieved gradually in five years.

Non-Indian shipping companies are not naturally worked in the interests of Indian trade, but in those of their own shareholders, and so if there is any reservation of Coasting Trade under suitable safeguards for indigenous shipping concerns, there will not be any

interference, with the coasting trade but on the contrary, the Indian coasting trade will greatly benefit by it.

Messrs Pitamber and Company (Bombay).

The Coasting Trade of India must be entirely reserved for the Indian ships for the development of an Indian Mercantile Marine.

Indian shippers will have the satisfaction to know that they are shipping cargo in ships owned or chartered by their fellow countrymen and that the freight they are paying will go to the Indian pockets instead of filling up the pockets of foreign ship-owners. Rates of freight will no longer be fixed in the interest of European industries. Besides, smaller ports which are neglected at present might be developed.

The Grain Merchants' Association (Bombay).

We are of opinion that the Coasting Trade of India should not be open to all comers if the establishment, encouragement and furtherance of the shipping industry of India is sincerely desired and the Coasting Trade of India should be reserved for ships registered in India and owned by Indians.

The effect of such policy of reservation would be to encourage shipping industry of India and the large amounts of freight money swept away by foreign companies will remain in India. It will also develop neglected port trades and relieve the Indian passengers from the harsh and unsympathetic treatment they receive at the hands of foreign shipping companies.

Prof. K. T. Shah (Bombay),

(UNIVERSITY PROFESSOR OF ECONOMICS).

I have already indicated my opinion that the whole of the Coasting Trade should be reserved for the Indian Mercantile Marine, the reservation to be given effect to progressively, as the Shipping Industry develops.

An immediate and effective development of Indian Mercantile Marine, Indian-owned, though not necessarily Indian built. I do not think there would be any undesirable reaction in the freight rates. But apprehensions in this regard may be adequately safeguarded against, if practical effect is given to a policy of progressive reservation of Coasting Trade under suitable precautions against the abuse of such a concession. The maximum freight, for example, may have to be prescribed by law, or by executive degree, under a general law, as a precaution against abuse.

KARACHI.

The Karachi Indian Merchants' Association (Karachi).

The entire trade on the Indian coast should be reserved for the Indian shipping. Failing, this, no vessels belonging to a country which places restrictions on the immigration or residence of Indians should be allowed to carry on this trade. The effects of reservation would be manifold.

The effects of reservation would be manifold :—

- (a) The freight earned would remain in the country thus helping new enterprise,

- (b) There will be more revenue to the Government of India,
- (c) Indian merchants will not be exploited, nor will the freights charged be heavy as is the case now when alien shipping companies enjoy a sort of monopoly,
- (d) Indian merchants will be no longer at the mercy of the alien shipping companies for their requirements of space and will be saved the ill-treatment now meted out to them by such companies,
- (e) The fixing of freights by the Indian shipping on a basis that will develop the Coastal Trade will be helpful in revising the rates now charged by the various Indian railways regardless of the detrimental effect they have on the trade of India.

**The Hedjaz Steam Navigation Company, Limited
(Karachi).**

Reservation of the Indian Coastal Trade for Indians will have a little effect so far the Indian Coastal Trade is concerned. Reservation in this case means transfer of the conveyance business from one to the other, and other circumstances remaining the same. Transfer cannot shake the principle of "Supply and Demand" which is the basis of all trade. But in my opinion Coastal Trade for Indian enterprises will have a wholesome effect on India in times of peace as well

of war. It will not only be an economic gain to the country, but it will greatly add to our country's productive forces. During the times of war, it would be an effective auxiliary. A modern navy needs an elaborate employment of scout ships, supply ships, colliers, not to mention transports. A large Mercantile Marine can supply all these, or at least aid mightily in supplying the suddenly increased needs, which arise in the times of war. In the long run it will be economical for the Government to subsidise a Mercantile Marine which assure the availability of the Merchant Ships in war days than that of hurriedly creating an auxiliary fleet when war breaks out.

The Buyers' and Shippers' Chamber (Karachi).

No. We recommend reservation of Indian (including Burma) Coasting Trade to vessels registered in India and owned by Indians as otherwise the Indian shipping concerns cannot stand against the non-Indian shipping concerns with enormous resources.

(1) The chief aim of the foreign shipping companies is exploitation at the expense of India and this will cease. (2) The freight earned by the Indian shipping concerns will remain in India and thus the resources of India will be increased. (3) The existing attitude of the non-Indian shipping companies of favouring European enterprise against Indian Trade by means of reduction of freights and granting of other facilities to Europeans will also cease. (4) The Indian shippers will be saved from the tyranny and humiliating treatment at the hands of non-Indian shipping concerns.

Prof. S. C. Shahani (Karachi),

(PRINCIPAL, D. J. SIND COLLEGE).

The provisions of the Indian Coasting Trade Act V of 1850 should be modified. The Coasting Trade of India should mostly (at least three-fourths) be reserved for the development of an Indian Mercantile Marine. For the remaining one-fourth, minimum rates should be fixed.

The effect of any policy of reservation on the Indian Coastal Trade is bound, in the present circumstances, to be good.

BARODA.

**The Dewan of Baroda State, on behalf of the
Baroda Government.**

His Highness' Government think that the object aimed at will not be achieved without State Aid direct and indirect. What form State Aid should take is a question for determination by the expert Committee which has been appointed. His Highness' Government, however, venture the opinion that State Aid will have to be afforded both by means of legislation and by means of financial assistance including expenditure on facilities for training.

Speaking more particularly His Highness' Government think that the following forms of State Aid may be tried to start with :—

1. For Coastal Trade :—(a) Reservation of the Coastal Trade of India and Burma to

Indian Vessels to be introduced gradually.
 (b) Fixing of minimum and maximum rates.
 (c) Declaring deferred rebates illegal and
 (a) Cheap Loans to Indian Shipping Companies for construction and purchase of steamers at half the rate of interest at which the Government may be able to borrow, repayable by twenty equal annual instalments in the case of steamers built in India and by equal annual instalments depending on the age of the vessels in the case of steamers purchased.

MADRAS.

Rao Bahadur V. Govindan (Madras),

(ASST. DIRECTOR OF FISHERIES, COAST CALICUT).

Yes. I would prefer the reservation of Coasting Trade to the vessels owned by the Indians.

It will encourage Indian enterprise.

The Southern India Skin and Hide Merchants' Association (Madras).

The Indian Coasting Trade Act V of 1850 which opened the Coastal Trade to all comers is to be considered as a history of the past. It cannot be reasonably applied at the present modernised conditions of India when she tries to become a self-contained unit in her commerce and industries. As clearly pointed out in the Supplementary Statement, the Coastal Trade of India has fully been occupied by non-Indian shipping and has become a complete monopoly. Reservation of Coastal

Trade to one's own national shipping is simply a domestic concern, and supremely essential for the development of the Merchant Marine. This is a policy adopted by every other maritime country of the East and West; almost all of them drastically restricted the Coastal Trade to their nationals.

To achieve this end in view, the present tonnage of non-Indian shipping in respect of Coastal Trade should be reduced every year, so that, say, at the end of five years none but the Indian vessels should be able to completely undertake the Coastal Trade of India.

Apart from the development of Indian shipping, if reservation of the Coasting Trade is resorted to, it will facilitate the trade among the several Indian ports and thus improve in a way the economic condition of Indians in general.

The Madras Piecegoods Merchants' Association (Madras).

If all of a sudden, foreign ships are prohibited from working in our Coasts, our Coasting Trade would be seriously disorganized for want of ships and result in serious consequences to the general trade of the country. So I recommend reservation with certain limits. I would restrict the number of foreign ships competing our ships in our coastal trade for sometime to come and when we ourselves have sufficient number of ships to supply the demand, I would entirely prohibit other ships coming in.

Gradual reservation as I have suggested in my answer to the previous question would stimulate Indian

enterprise. But reservation all of a sudden would adversely affect the Coasting Trade of India.

Mr. S. D. Krishna Iyengar (Madura).

The Indian coasting trade must entirely be reserved for the development of Indian Mercantile Marine.

The Coastal Trade will not suffer at all. In course of time, as shipping industry improves, it will also be benefited.

Mr. A. V. Narayanaswamy Naidu (Vizagapatam).

I advocate gradual abolition of Coasting Trade in the hands of non-Indian Trading Agencies.

TRAVANCORE.

Mr. C. V. Chandrasekhara, M. A., (Oxon),

(FOR THE TRAVANCORE STATE.)

- Q.* You consider State Aid is necessary as an economic solution.
- A.* The Travancore Government feels that the reservation of the Coastal Trade is the most important thing.
- Q.* You have not thought out any scheme for the reservation of the Coastal Trade.
- A.* The Travancore Government was aware of the Bill introduced by Mr. Seshagiri Iyer in the Legislative Assembly and they too thought, that five years were too short a period for complete reservation. The Travancore Govern-

ment think it would take about ten years to effect the complete Reservation of the Coastal Trade.

CALCUTTA.

The Marwari Association (Calcutta).

In every country except India the Coastal Trade is reserved to its own Mercantile Marine. In fact, in every country the reservation of Coastal Trade has been an important factor in building up of its Mercantile Marine. There is no reason why in India the Coasting Trade should be open to all comers. Indeed, it has proved highly injurious to the interests of India and immediate steps should be taken to reserve India's Coastal Trade to vessels owned by Indians to encourage the development and growth of an Indian Mercantile Marine.

The effect will be highly beneficial to the country. Firstly, the vast amount of money which the country has to pay every year to the foreign shipping companies by way of freight will remain in the country and, by adding to its capital, will stimulate the growth of other industries. Secondly, the children of the soil will find new and large fields of employment open to them and the unemployment problem will become less acute. Thirdly, the many serious disadvantages under which Indian shippers now labour in consequence of the preferential treatment given by the foreign shipping companies to European shippers and in consequence of the fixing of rates of freight by the European Shipping Companies, like the Railway Companies, in the interests of industries owned and managed by Euro-

peans, will disappear and thus Indian trade between the ports will greatly increase in volume and add to the economic prosperity of India.

The Central National Mahommadan Association (Calcutta).

We do not favour this policy. The Indian coastal trade should entirely cease to non-Indian Shipping Companies after five years from the commencement of the Legislation.

We do not think that the trade will in any way be affected.

Messrs Bando & Co. (Calcutta).

Reservation for the sons of the soil as done by all other countries.

This will have the effect of inducing and encouraging Indians in opening new companies for the coastal and inland service. The existing European companies will sell their vessels on reasonable terms or will convert the same into Indian-managed enterprises. The shippers will get better attention from the Indian Companies.

The East Bengal River Steam Services, Ltd. (Calcutta).

The Indian Coasting Trade should be gradually reserved for the Indian Mercantile Marine.

This will encourage Indian Shipping Industry.

**Mr. D. S. Erulkar, B. A. (Cantab'), Bar-at-Law (Calcutta),
(MANAGER, SCINDIA STEAM NAVIGATION CO., LTD.)**

It is absolutely indispensable for a healthy development of the Indian Mercantile Marine that by a gradual

process of elimination of the non-Indian vessels trading on the Indian coast, the entire coasting trade of India should in the course of a few years be reserved for Indian-owned vessels.

The effect of reservation by a gradual policy of elimination will be for Indian capitalists to come forward to launch into this Industry with a feeling of security, as at present the experiences of some of them in past are highly deterrent. With the response on the part of the Indian capitalists the growth of a healthy Mercantile Marine will be assured and the Indian public will be freed from the monopoly enjoyed by the present non-Indian capitalists with its consequent hardships and disadvantages.

The British India Association (Calcutta).

See reply to Questions 3 to 5 (next para) but this (Coastal Reservation) should be done gradually and any increase of freight should be provided against.

No substantial progress is possible without State aid. The following measures may be recommended as being likely to remove or mitigate to a certain extent existing difficulties or disabilities, namely, the abolition of the system of granting deferred rebates which has very properly been described by the Indian Fiscal Commission as being "one of the strongest buttresses of monopoly". The United States of America have passed a law declaring this system to be illegal and what opinion is entertained of this system by the Commonwealth Government of Australia would be apparent from the fact that they have decided to

compensate those shippers who would patronise the Australian line of steamers in case their rebates were confiscated by the British lines which are participators in the monopoly. Exemption of port dues and import duties on shipbuilding materials, reimbursement of canal dues, preferential railway rates, cheap loans to ship-owners, construction and navigation bounties, coastal and admiralty subventions, general and special subsidies and reservation of the Coasting Trade to Indian shipping. In regard to shipbuilding, the Governments of Austria-Hungary, Spain, France, Italy, Japan and Russia grant what are called "construction bounties" for the encouragement of the building of the ships. England herself gave a loan of over two millions to the Cunard Line for the building of two ships at a rate of interest which was lower by two per cent. than the market rate. Russia paid more than twenty seven million pounds in seven years and France paid more than a million pounds per annum as navigation bounties. Austria-Hungary and Russia reimbursed the Suez Canal dues for this purpose. Then there is the form of State aid known as conventions which are generally given for the carriage of the mails and for specific services on particular routes. As regards the reservation of the Coastal Trade the United States, France, Italy, Austria-Hungary, Spain, Belgium and Japan have reserved their Coasting Trade to shipping belonging to their nationals. It will be seen that State aid, both direct and indirect, has been given for the encouragement of shipping by maritime countries such as America, Japan, France, Italy, Austria, Russia and Holland and my Committee submit

that the same principle should be followed in India if Indian shipping industry is to regain something of its ancient position of pre-eminence.

The Indian Association (Calcutta).

As already stated under the preliminary remarks the Association is in favour of the reservation of the coastal trade of India to vessels owned or chartered by Indians.

The effect has already been referred to under the preliminary remarks.

Messrs Sonaton Nittyanundo Roy (Chittagong).

What we want is embodied in our reply No. 3, Paragraph 1 :

(Reply No. 3, Paragraph 1 : By a gradual process let Indian Shipping Companies (including Ceylon and Burma) alone carry the coasting trade of India, Ceylon and Burma, and by Indian Companies we mean companies started in India with Indian capital and managed by Indians.)

It will afford considerable relief to shippers. It will stimulate small industries. It will enrich India in as much as the enormous freight money that goes out of India will remain in India and benefit Indians. It will facilitate transit by railways.

Messrs Madhulal Doogar & Co. (Calcutta).

It is essential that the coasting trade should be reserved for Indian vessels for a healthy proper development of Indian Mercantile Marine and the Indian

Coasting Trade Act V of 1850 should be repealed and another Act passed reserving Indian coast for Indian vessels.

The result of such reservation will be that a steady and uninterfered development of an Indian Mercantile Marine will be assured. Indian shippers will be saved from the unsparing exactions of European steamship companies which huge amounts principally go abroad and enrich European share holders. With the development of Indian Mercantile Marine all this fabulous sum that goes abroad annually will be retained in this country, and hundreds of my countrymen, the children of the soil, who, although with a better and more liberal general education, now find themselves with only one alternative to death by starvation, and that is eke out their miserable existence as insignificant clerks on Rs. 30/- per mensem in spite of their B. A 's will, under the ægis of an Indian Mercantile Marine, hope to make a more decent living.

Indian Seamen's Union (Calcutta).

The effect of any policy of reservation on the Indian Coastal Trade will be highly beneficial to the country. It would encourage Indian shipping industry and would open out new careers for the youths of this country.

The Bengal National Chamber of Commerce (Calcutta).

The Committee are not in favour of the present policy of keeping the Coastal Trade of India open to all comers. They recommend that at the outset a certain portion of the Coasting Trade should be reserved

for Indian-owned vessels and with the development of the Indian Mercantile Marine the whole of the coasting trade should be gradually reserved for Indian-owned vessels.

The Committee hold that by reserving the Indian Coastal Trade gradually for Indian-owned vessels it would be possible to develop an Indian-Mercantile Marine which would help the country in numerous ways. But at the same time there must be sufficient safeguard that by such reservation freight may not go up and trade suffer in consequence. It is essential that the reservation of the Coastal Trade should be gradual and keep pace with the development of the Indian Mercantile Marine the reservation being extended from port to port as the development of the Indian Mercantile Marine would permit.

In course of time reservation would help Indian shipping as it was the case in foreign countries. To avoid undue profits, provision should be made to impose income-tax on profits over 10 per cent. on the capital outlay and also fixation of maximum and minimum rates subject to revision every five years, emergencies excepted, for which Government should have the power of changing rates on the occasion of war and famine.

RANGOON.

The Burmese Chamber of Commerce (Rangoon).

If Indian Mercantile Marine is to be developed it is essential that the Coasting Trade of India should be reserved to Indian shipping.

Harsh and high-handed treatment which Indian shippers are receiving at the hands of the foreign ship-owners at present will vanish. Rates of freight will be more equitably fixed. There will be no more conspiracy between ship-owners and railway authorities to smash Indian shipping and help European traders. Coastal Trade and Ports themselves will improve. New industries will thrive on account of favourable rates of freight. Last but not least the wealth of the country will increase as crores of rupees of freight will remain in this country and new careers will be opened up for the youth of the country.

Maung Ba Dun, Bar-at-Law, M. L. C. (Rangoon).

I am of strong opinion that there should be State aid and the aid should be given in all possible ways (1) by means of bounties, (2) by reservation of coastal trade, (3) by any other methods which will keep non-indigenous companies from entering unhealthy competition outside the reserved area.

Q. You advocate reservation of the coastal trade.

A. Yes, to a certain extent. I do not want to shut out foreign shipping altogether.

Q. You advocate partial reservation of the coastal trade.

A. Yes, I will have partial reservation at first, then after the mercantile marine is fully developed, I will have whole-sale reservation.

Q. What do you think of this statement :

“The Burmans will not take to a sea-faring life so long as they have no opportunities of learning work on ships owned by Burmans.”

A. I do not think it is a correct representation of the Burman opinion. They will take to sea-faring life so long as they are treated kindly.

Q. What do you think of this statement :

“ The close association which life on ship board entails combined with the Burmese dislike of working in subordination to, or in company with Indians, renders it probable that Burmans will take no advantage of facilities which are afforded by Government for the encouragement of an Indian Mercantile Marine. Is this a correct representation of the Burman view ?”

A. I do not think it is a correct representation of the Burman view. The Burman, as I have already said, is a very adaptable sort of man. He will take to any work provided he is treated kindly.

Q. If such a statement is made by anybody then you say that it is made in ignorance of the true feelings of the Burmans ?

A. They never consulted us ; that statement might have been drawn purely from their own imagination.

Messrs A. V. Joseph & Co., (Rangoon).

Not necessary to have any reservation as non-Indians could not compete with Indian shipping. For the Indians will be getting special concessions which non-Indians will not have.

- Q.* In answer to Question 5 you advocate loans and cheap rate of insurance. Again in answer to Questions 18 and 19 you say that it is not necessary to have any reservation as non-Indians could not compete with Indian shipping, for the Indians will be getting special concession which non-Indians will not have. I cannot understand what it is you really want.
- A.* I thought Government would be able to give Bounties. Now I find the Government may not be able to find money for Bounties; so I recommend partial reservation of the Indian coast for Indian shipping companies.
- Q.* So modify your written answer and prefer partial reservation of the Coastal Trade for Indian shipping in order to develop the Indian Mercantile Marine.
- A.* Yes.
- Q.* Why do you want partial reservation only?
- A.* It is not possible to reserve the whole Coastal Trade all at the same time because we have not got sufficient fleet.
- Q.* When you say "Partial" you mean then "gradual" reservation?
- A.* Yes.
- Q.* Do you prefer that as the method by which you can ensure the development of an Indian Mercantile Marine?

A. Yes.

Q. What do you mean by an Indian Mercantile Marine, will you define it?

A. An Indian Company registered in India with a rupee Capital with a Directorate and management by Indians.

Mr. S. N. Haji, B. A. (Oxon), Barrister-at-law (Rangoon),
(MANAGER, SCINDIA STEAM NAVIGATION COMPANY, LIMITED).

Among the more important and immediate results of the reservation of the Indian Coastal Traffic to Indian-owned Vessels will be the saving to the country of a large proportion of the crores of rupees that are now drained away from the country in the shape of coastal and ocean freights.

Besides stopping the monetary drain the reservation of the coastal traffic, if, as advocated, accompanied with the abolition of the deferred rebates and discriminations will result in the rates of coastal and sea freights being fixed under competitive conditions, as against the present system under which the monopolistic combine is able to charge its own rates, thus increasing the cost to the ultimate consumers of the articles carried by sea. Besides trade between small ports and between large ports and small ports will be encouraged by direct services which, under the present conditions are very few in number, more terminal ports will open up, new areas of consumption, for example, Burma rice will go direct to Marmagoa and Kathiawar ports and Dwaraka and Porebunder cement will be shipped to

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Madras and Rangoon without the expensive transshipment necessary to-day. Artificial hindrances to the development of the coastal ports like Chittagong into ocean ones will be removed (see letter of the Chairman, Port Commissioners, Chittagong writing in connection with the enquiry of the Royal Commission on Shipping Rings). Above all when the Indian Mercantile Marine is adequately developed, the ocean traffic of India will be managed in the interests of the people of this country.

From another point of view, the coastal reservation will provide new careers for young Indians, who are now ready in their hundreds to take to a sea-life but who have invariably been debarred by the existing companies from benefits which are theirs by nature. True that many Indians now find employment in the existing British Companies in the capacity of lascars but unfortunately they are the only Indians employed on board the British Vessels. Besides even the lascar has remained a lascar all these years. As nothing has been done so far by the British Companies during the long period of their monopoly and prosperity to provide for Indians facilities for training in ship navigation and marine engineering, it is futile to expect any help from that quarter. It is, therefore, necessary that not merely should the Government of India provide adequate training facilities for Indians but should, moreover, open out new avenues of employment for the Indians who are properly trained by requiring, in due course, a certain proportion of Indian Officers and engineers on board.

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