INDIAN SHIPPING SERIES.

PAMPHLET NO. 1.

STATE AID
TO
NATIONAL SHIPPING.

BY

S. N. HAJI, B.A. (Oxon), Barrister-at-Law.

Printed at The Commercial Printing Press,
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11, Cowasji Patel Street, Fort, Bombay.

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CONTENTS.

The following pages summarise, from official publications, the achievements of several representative countries—and indicate, in the Draft Bill, the *present* requirements of India—in respect of an adequate national merchant marine.

Suggestions from readers interested in the development of Indian National Shipping will be gratefully received.

HIRJI MANSION,
SANDHURST ROAD,
BOMBAY.
25TH DECEMBER 1922.

S. N. HAJI.

I.

AN INDIAN MERCHANT MARINE.*

A National Necessity.

"Thus has passed away one of the great national industries of India after a long and brilliant history, covering, as we have seen, a period of more than 20 centuries. It was undoubtedly one of the triumphs of Indian civilisation, the chief means by which that civilisation asserted itself and influenced other alien civilisations. India now is without this most important organ of national life. There can hardly be conceived a more serious obstacle in the path of her industrial development than this almost complete extinction of her shipping and ship-building."

The unfortunate contrast presented by the above extract from Prof. Radhakumud Mookerji's "History of Indian Shipping and Maritime Activity" epitomizes the past greatness and the present decline of an important branch of national existence. This is neither the place nor the occasion to enter into a historical survey of the causes of that rise and that fall. Students of the

* This article was published in September 1922 in the Annual Pateti Number of "Sanj Vartman."

subject may be directed to turn their attention to the historical and epigraphical Indian and foreign authorities bearing upon this important question. What concerns us most at the moment, however, is the great part a merchant marine plays in the life of a modern maritime nation. Nowhere has this importance been so well summarised as in the preamble to the American Merchant Marine Act of 1920, which reads as under :—

> "That it is necessary for the national defence and for the proper growth of its foreign trade and domestic commerce that the United States shall have a merchant marine of the best equipped and the most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States, and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine."

The principles here enunciated have always been borne in mind and, when required, worked out in practice by all the maritime nations of the world. The historical Navigation Laws of England and the equally

well-known subsidies of France were the fruits of the same spirit which induces the nations of to-day to encourage the creation and development of a mercantile marine. It is the spirit behind the post-war measures taken in Spain and Portugal, in Italy and Jugo-Slavia, and put into practice nowhere more thoroughly than in the United States of America, whose legislature is to-day considering an important Ship Subsidy Bill. Between the past efforts of England and the present attempt of America to develop the national marine stand prominent the phenomenally successful measures taken by Japan, during the firsty ears of the present century, to achieve the same object. The growth in her shipping tonnage and in her ship-building yards can be compared only with the equally astounding progress made by the United States under pressure of the Great European War. The Japanese merchant marine has to-day a tonnage of over two million tons gross, which means that the carrying capacity of Japanese vessels is somewhere between three million-and-a-half to four million tons deadweight. These figures show a growth of over 600% during the last quarter of a century, as the Japanese tonnage in 1895 amounted only to 250,000 tons gross. The ship-building activity of America made tremendous progress during the war years. It is instructive to know that on one date during that period, the 1st of May 1917, more than two million, two hun-

dred and fifty thousand tons gross of merchant vessels were under building contracts. Besides, in the matter of shipping tonnage, according to American authorities, America holds the first place in the world to-day. These facts reveal to us Indians, the immense strides that may be taken in any desired national activity by a fiscally autonomous nation aiming at a particular end.

Let us now turn to the present position of affairs in India. The advantage of her natural position and the extent of her trade ill accord with the insignificant figures of her shipping tonnage. The length of her coast line extends over 4,500 miles. Her ports, large and small, are adequate to meet the needs of her present trade. Her annual coastal trade exceeds two hundred crores of rupees. Her foreign trade last year was not far short of seven hundred crores of rupees. Her passenger traffic at the two important ports of Bombay and Rangoon is exceeded by similar traffic at only one other port in the world, namely New York. And yet what is the position of India to-day? The total amount of gross tonnage registered under the Indian Registration of Ships' Act of 1841 is only 216,704. Though five out of her eight provinces share her long coast line, two of them, namely Madras and Behar and Orissa, have no ships registered at any of their ports. The total tonnage registered at Calcutta is

33,915 tons with 37 steamers, of which the tonnage of only 8 runs into four figures; of the remaining 29, 22 are under 300 tons. The registered tonnage at Rangoon is equally poor. Out of a total of 41,406 accounting for 72 steamers, only 10 have a tonnage above 1,000, 47 being under 800 tons. A large proportion of the Rangoon tonnage is composed of motor launches, belonging to the Port Commissioners and of small vessels belonging to the Petroleum Companies of Burma or to the Irrawady Flotilla Company, registered in Scotland, which has a practical monopoly of the inland water navigation of Burma. Both Calcutta and Rangoon have very few of the locally registered steamers engaged in their large transport trade. As compared, however, with Bengal and Burma, the Bombay register presents more encouraging figures. Out of the total of 141,310 gross tons with 83 steamers —a number wholly inadequate in comparison with the large trade of the port—while 24 steamers are under 300 tons, 39 steamers vary between 1,000 and 6,000 gross tons. This high average tonnage is accounted for by the steamers engaged in the passenger traffic on the coast and the large cargo steamers belonging to the Scindia Steam Navigation Co., Ltd. It is worthy of notice that this Indian Company accounts for more than one-fifth of the total tonnage on the Bombay Register.

No surprise need, therefore, be felt when we find that approximately 90% of the total coastal trade of the country last year was served by foreign companies, while their share in the import and export trade of India was as high as 98%. An examination of the passenger traffic figures, both coastal and otherwise, unfolds an equally woeful tale of foreign exploitation. Not merely do the expensive foreign firms demand high rates from passengers, but they pay insufficient attention to the comfort of the poor deck passengers, who, like the third class travellers on the railways, are the main source of their revenues. Sometimes, the grievances of these deck passengers become so acute that the Government is forced to appoint a Committee of Enquiry, but unfortunately very little is done in practice to improve the conditions of travel for the poor passengers. Equally indifferent have the present companies been in the matter of training up young Indians in the arts of navigation and marine engineering.

The need, therefore, for an Indian merchant marine run under Indian auspices has long been felt and it must be said to the credit of Indian enterprise that many attempts have, from time to time, been made at various Indian ports to organise Indian shipping companies. These efforts, however have so far met

with little actual success because of the unfair methods employed by the existing monopolistic shipping organisations. Keeping their shippers well in hand by the deferred rebate system, these companies destroy new Indian enterprises by an unscrupulous rate-war.

No attempts to create and develop an Indian merchant marine can possibly succeed until fair competition is allowed to come into play by the Government making the payment of deferred rebates illegal and the waging of rate-wars impossible. A favourable atmosphere will thus be created and as more capital will consequently be drawn into shipping enterprises by the greater confidence thus engendered, the further progress of an Indian mercantile fleet may be guaranteed by the application of well-known direct and indirect methods employed by various countries to encourage national shipping. Amongst the direct methods special mention may be made of bounties for the construction and navigation of ships, mail contracts at favourable rates and cheap loans to ship-owners and ship-builders. Preferential railway rates may also be recommended, as the ocean route must be looked upon as a continuation of the railway line. The most useful indirect aid may be given by the reservation of coastal trade to national tonnage—a method adopted by almost all the important maritime

nations of to-day with the exception of Great Britain which has however 99% of its coasting tonnage enrolled on the British Register.

Government, however, can only legislate the enterprise of the people must strive to realise the fulfilment of the ideal—an Indian merchant marine navigated and directed by the sons of India.

II.

STATE AID IN GREAT BRITAIN.

According to Lloyd's Register of 1922–23, the total steam and motor tonnage of the United Kingdom, excluding vessels of less than 100 tons, is 19,088,638 tons gross. It is worth noting that this figure represents the close approximation of British tonnage before the war to which we will refer in greater detail for purposes of showing the rapid development during the normal period since 1890. In 1914 the merchant marine of Great Britain totalled 19,256,766 tons, showing an increase of 45% above the tonnage of 1900 and of 88% over that of 1890. It must, of course, be admitted that a large proportion of this growth was the result of purely economic causes and the geographical advantages of the country. Her industrial domination during the period straddling the two centuries, her imports of bulky raw materials and exports of compact manufactured goods, her possession of the best quality coal and control over the coaling stations along the main ocean trade routes, the inventive genius of her technical men and the enterprising character of her capitalists; and above all the spirit of sea adventure natural to the successors of the heroes of Trafalgar and the Spanish Armada—all these factors building upon the foundations

laid by the Navigation Laws, no doubt, played their allotted part in the evolution of the national marine. But the proportion of Government aid has not been unworthy of the other factors mentioned (*vide* Appendix A).

The direct official help given to shipping in Great Britain takes the following forms:—

(1) Appropriations for naval reserves,
(2) Admiralty Subventions,
(3) Government loans at low rates of interest,
(4) Mail Subventions,
(5) Colonial Subventions and
(6) Indian Subventions.

Appropriations for Naval Reserves:—Every year the British budget provides for approximately £450,000 as "pay, allowances and contingent expenses" of officials and seamen serving on merchant and fishing vessels, as annual retainers, drill money and lodging allowances to men in the Royal Fleet reserve and as capitation allowances to the Royal Naval volunteers. These appropriations for Royal Naval Reserves are no doubt primarily intended to enable the Royal Navy to draw from a suitable supply of seamen its crews for men-of-war. But the direct assistance of this monitary contribution to the merchant marine should not be forgotten. These naval retainers make the pursuit of

sea life more attractive and the steady supply of capable seamen more assured. The manning of the merchant fleet is thus greatly facilitated.

Admiralty Subventions:— The British Admiralty has from time to time paid subventions to various lines of steamers operating vessels of a certain type and speed with a view to utilising them as auxiliary naval cruisers or transports in times of war. This method has during the last few years been replaced by the more convenient system of cheap loans. Before the beginning of the European war, therefore, there was only one such subvention in operation, namely, the one under the contract of 30th July 1903 which runs until 1927 and provides for an annual payment of Rs. 22,81,170/- to the Cunard Steamship Company. When it is stated that the earlier amount of this subvention to the same company was only about Rs. 2,28,110/-, one realises the great step forward that Great Britain has taken since the beginning of the century in promoting the welfare of her already developed merchant marine.

Cheap Loans:—The Cunard Steamship Company has also been the favoured recipient of a loan of £ 2,600,000/- at $2\frac{3}{4}$ % interest. The close relationship between this shipping company and the British Government dates from the day when the first mail contract was made with Mr. Samuel Cunard

in 1838. The main object of this loan was to enable the Cunard Steamship Company to build 2 steamers, s. s. "Lusitania" and s. s. "Mauretania" with a speed of at least 25 knots for the purpose of running in the North Trans-Atlantic trade, as also for providing for the Government, in case of need, auxiliary cruisers of a fast and serviceable character. This loan is the first instance of the British Government assisting national shipping in this way, although loans to shipowners had been paid in Austria as early as 1891. The Cunard Company could, no doubt, have borrowed the amount required on its own security, but at a rate of interest at least 2 % higher. The saving thus effected has no doubt meant a very large subsidy. As the most important English shipping journal, "Fair Play," pointed out in its issue of 9th April 1914, "Had the money been borrowed at 5%, the extra amount of interest payable during the past year would represent a dividend of over 4% on the ordinary shares of the Company." The close association between the Cunard Steamship Company and the British Government is clearly brought out in the following extract :—

> "The British Government is a stockholder in the Cunard Company to the extent of one share and has a mortgage on its fleet and other

property as a security for the loan. The Government, has, moreover, the right to charter or purchase at agreed rates all or any of the Company's vessels at any time, and requires that the company shall remain a purely British undertaking; that its management shall be in the hands of, and that its shares and vessels shall be held by British subjects only; that it shall not give preferential rates to foreigners; and that it shall not unduly raise freights."*

Mail Subventions form the most important method by which the United Kingdom grants direct financial aid to its mercantile fleet. This has been particularly evident since the adoption of steam power for trans-oceanic transport. The strongest and fastest lines of steamers under the British flag to-day owe their growth to liberal mail contracts. The year 1838 marks the inauguration of this policy. In that year the Government entered into a contract with the Peninsular Company, which in 1845 became the Peninsular & Oriental Company, for a weekly mail service between England, Spain and Portugal. Later, the scope of service was extended beyond Suez to Calcutta and Bombay and finally to Australia. That these subventions were not merely in the nature of payment for

* Jones "Government Aid to Merchant Shipping."

services rendered is clearly seen from the statement of Dr. Meeker in his History of Steamship Subsidies :

> "That if, at times, the subventions were exorbitant, we must consider the urgent necessity for the Government to keep up regular communications with the distant eastern Colonies, especially with India, the tremendous difficulties to be overcome and the onerous terms of the contracts."

That equally exorbitant subventions under mail contract were given to the Cunard Steamship Company from 1838 onwards is also clearly seen from the large amounts annually paid. The grants under mail contracts were, as a matter of fact, more in the nature of an official subsidy than of a postal subvention, since they were larger than the amounts required by other lines for the performance of similar services. In later years, however, the mail subvention lost, in most cases, the character of a subsidy and was regulated by purely commercial considerations. Yet the mail contract provides the shipowner with a guarantee of regular shipments and large payments, not to mention the many advantages resulting from the prestige of official patronage. Over a dozen British companies are to-day operating under mail contracts and are thus assured of a permanent annual income.

The most important of these companies are :—

Steamship Company.	Service.	Payment during the year 1913-14
Peninsular and Oriental Steam Navigation Co. ...	Brindisi and Bombay, Shanghai and Adelaide	£ 305,000
White Star Line ...	United Kingdom to U. S. A.	„ 73,723
Cunard Line ...	„ „ ...	„ 68,033
Royal Mail Steam Packet Co. ...	U. K. and West Indies	„ 63,000
	Southampton to Brazil and River Plate	„ 21,002
Canadian Pacific Railway Co. ...	United Kingdom and Canada, Japan and Hongkong ...	„ 45,000
S. E. & C. R. Co. ...	Dover and Calais, and Folkstone and Boulogne	„ 40,374
Pacific Steam Navigation Company ...	Liverpool and Falkland Is.... Liverpool to Callao ... Panama to Valparaiso ...	„ 33,084
African S. S. Co. and British and African S.N.Co.	United Kingdom and West Coast of Africa	„ 23,475

Colonial Subventions:—These have been either mail subventions or trade subventions. Payments under mail subventions have sometimes been made by the British Government for the express purpose of encouraging regular steamship service between various British Colonies. Thus in 1912-13, Rs. 3,80,193/- were paid to the Royal Mail Steam Packet Company for a fortnightly service between Barbados and British Guiana. The trade subventions, the primary purpose of which was commercial and the carriage of mails only incidental, are now non-existent. But in 1900 the British Government made a contract with Elder Dempster & Co. for a fortnightly steamship service between Jamaica and England in order to develop the fruit trade between Jamaica and the British Isles. The steamers of the company were to be equipped for carrying and the steamship company had to carry, if necessary even to purchase, 20,000 bunches of bananas for each voyage from Jamaica.

The contract of the British Government with Messrs. Elder Dempster & Co. provides an interesting feature which may well serve as a lesson and a precedent for the champions of the present do-nothing, lassez faire policy of the Government of India. Besides requiring the company to carry the mail between Great Britain and Jamaica, the contract fixed the maximum passenger fares

that might be charged by the company. In view of the recommendation of the Deck Passengers' Committee of 1921 that in certain eventualities the Government of India may have to fix the maximum and the minimum deck passenger fares for steamers plying on the Indian Coast, this clause from the Jamaica mail contract will be read with interest.

It may be mentioned in passing that contributions levied from Canada, Australia, New Zealand, South Africa, Barbados, Guiana, Trinidad, the Falkland Islands, Ceylon, the Strait Settlements, Hongkong and the British West African possessions go to make up the payments made to British Shipping companies under contracts for carriage of mails.

Indian Subventions:—In the absence of any national Indian Shipping capable of handling the mail traffic, the payments under mail contracts naturally go to enrich and develop the British companies engaged in the carriage of mails. As is well known, the British India Steam Navigation Company has practically the monopoly of carrying mails along the Indian coast for which it received during 1921-1922, Rs. 10,12,000 out of a total about 13½ lakh of rupees paid yearly by the Indian public treasury for the carriage of His Majesty's mail by water. In addition, the Peninsular & Oriental Steam Navigation Company, an allied organisation, receives

annually from the Indian exchequer amounts varying between Rs. 6,00,000 and Rs. 7,50,000 as India's contribution towards payments for the carriage of mails from Marseilles to Bombay, Shanghai and Adelaide. If these amounts could only be diverted to national shipping concerns, how quickly would an efficient Indian merchant marine evolve!

III.

STATE AID IN FRANCE.

State aid to shipping in France is direct, comprehensive and generous. As the table in Appendix A shows, the French Government every year pays Rs. 41,949,178/- in specific subventions and general subsidies. The main effect of this policy is to be seen in the increase of French tonnage during recent years. According to Lloyd's Register, France possesses to-day over 1700 steamers of 100 tons and upwards, aggregating 3,537,382 gross tons. This figure indicates a remarkable expansion since the Armistice, because it shows that not merely has France made good her losses of steamers during the war, but that, unlike Great Britain, she has actually added over one million tons to her merchant fleet since 1914 when her merchant marine, excluding vessels of less than 100 tons, amounted to 2,319,000 tons. Even this figure of French tonnage immediately before the war indicates an increase of 71% over her tonnage in 1900. These figures, it need hardly be stated, bear an eloquent testimony to the results of the French policy of direct state action in developing the merchant marine. The official aids take the following forms:—

(1) Construction bounties.

(2) Navigation bounties.

(3) Equipment bounties called "Compensation d'armament.'

(4) Fishing bounties.

(5) Mail subventions.

(6) Payment of Suez Canal dues.

(7) Construction loans.

(8) Preferential Railway rates.

(9) Reservation of the coastwise trade.

The first French law for the encouragement of the mercantile marine was enacted in 1881. The amounts paid thereunder to promote the building and navigation of ships were increased by an Act passed 12 years later. These bounties were limited only to vessels of French construction, but a subsidy was granted by the law of 1902 to iron or steel steamers of foreign build if registered in France and engaged in foreign trade. It took the form of an "Equipment Bounty" at the following rates per day in commission (with a maximum of 300 days per year):

Five centimes per net ton up to 2,000 tons, 4 centimes for each additional ton up to 3,000 tons, 3 centimes for each additional ton up to 4,000 tons; and 2 centimes for each additional ton up to 5,000 tons.

The earlier shipping laws were, however, modified and consolidated by the Mercantile Law of 1906* which was later supplemented by an Act of 1912 and particularly by a decree of 1911 which extends the scope of the subsidies to the merchant vessels of French Colonies (Cabotage Français). †

In summing up this law, Mr. Jones says, "the Equipment bounties of 1906 vary with the tonnage of the vessel, days in commission, character of propelling power whether sail or steam, speed, quantity of cargo and average daily run. They are paid for the entire time the ship is in commission and are not limited to 300 days per year, as was the case under the law of 1902."

The laws granting the Equipment Bounties also provided for :—

(*a*) Construction Bounties, of varying amounts, for iron and steel ships, for wooden vessels, for new engines and boilers and auxiliary machinery.

(*b*) Navigation Bounties per gross ton for over 1,000 miles run by eligible French-built steamers.

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* The English Report on the French Mercantile Law of 1906 (diplomatic and consular reports Miscellaneous series No. 651) gives a detailed account of the earlier French Laws on the subject.

† Includes the ports of Algeria.

It is of interest to note that these navigation subsidies were paid both in the overseas and the international coasting trade, vessels engaged in the latter receiving, however, only two-thirds of the full rates. *

Fishing Bounties:—France, like other maritime countries, has long since adopted a policy of encouraging deep sea fisheries. The French treasury annually pays Rs. 3,75,000 as fishing bounties.

Mail Subventions which are paid to the Compagnie des Messageries Maritimes, as also the reimbursement by the French Government, under the mail contract, of the Suez Canal dues are worthy of note.

Construction Loans were the new form the government aid to French merchant marine took when, under pressure of the Great War, requisite loans were authorised by the Act of 1917.

Preferential Railway Rates:—Certain French shipping companies are aided by the Government allowing a reduction of the railway rates on freight intended to be shipped by their vessels.

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* Overseas trade (Navigation au long cours) means voyages beyond ports of the Mediterranean, North Africa and Europe below the Arctic Circle.

International Coasting trade (Cabotage international) includes voyages within the above limits between French ports, including those of Algeria and foreign ports, also between foreign ports.

Reservation of the Coastwise Trade:—By this indirect method the French Government aids ships plying in the coastwise trade between points in Continental France and in the trade between France and Algeria (Cabotage Français).

IV.

STATE AID IN JAPAN.

The history of the Japanese Navigation Laws during the last 30 years presents an interesting parallel with similar legislation in France. A chronological record will, therefore, be interesting as showing how new methods were adopted to foster the aim in view, that is the development of a powerful Japanese merchant marine. *

At the end of the war with China, Japan decided to create and develop a powerful merchant marine and the new policy of granting construction and navigation bounties was inaugurated in 1893. Her previous aid to ocean navigation was Rs. 15,62,500, paid annually for the carriage of mail.

Construction Bounties were granted under the Act of 1896 at the rate of 12 yen per ton on steel vessels of 700 to 1,000 tons register and 20 yen per ton for larger vessels. A bounty of 5 yen per indicated horse power was also given to vessels equipped with machinery made in Japan.

* See "Report on Bounties and Subsidies in respect of Shipbuilding, Shipping and Navigation in Foreign Countries," presented to the English Parliament in 1913. [Cd. 6899.]

A beginning having thus been made and good results achieved, the next Construction Bounty Law was a little more rigorous in its demands. By the law of 1910 the payments were restricted to steel vessels of at least 1,000 tons gross; and to encourage the building of passenger vessels, it divided eligible vessels into two classes, those that did and did not have accommodation for a prescribed number of passengers. The construction bounties under this Act range from 11 yen to 12 yen on the gross tonnage of the hull and 5 yen per actual horse power if the subsidised vessels are equipped with Japanese engines.

Navigation Bounties under the Act of 1896 were paid to iron and steel steamers owned by Japanese subjects and operated under the Japanese flag between Japan and foreign ports. The bounty amounted to 25 yen per ton gross per 1,000 miles run by vessels of 1,000 tons and of at least 10 knots' speed per hour. This amount was increased in the case of vessels of larger size and greater speed. Foreign-built vessels less than five years' old as well as domestic ships received these subsidies. They were paid in full for five years, after which they were reduced by 5% each year, terminating at the end of 25 years. The importance of these navigation bounties, however, was soon reduced because the Japanese Government decided in 1899 to follow the system, found beneficial by experience elsewhere, of specially

encouraging a few companies in place of that of general payments made to all without any differentiation. The law passed in 1899, therefore, granted large special subventions to particular companies operating their steamers under contract with the Government. To encourage, moreover, the ship-building industry in Japan, the same Act reduced by one half the navigation bounties paid on foreign-built vessels less than five years' old. The scope of the navigation bounties was further narrowed by the Act of 1910 which emphasises the importance of special subventions.

Special Subventions were paid in Japan even before the Act of 1896. That Act, however, specified 15 subsidised routes over which subventions were paid to special lines. Though mail subventions in name, as in England, their main purpose was to encourage Japanese trade and shipping over selected routes. They were systematised by the law of 1899 and still more extended in scope by the Act of 1910. This Act authorised payments of special subventions to Japanese lines operating in the European, Australian and American trades. It provided that the subsidised vessel should have a tonnage of at least 3,000 tons gross with a speed of at least 12 knots per hour and that it should not be more than fifteen years' old. The unit of subsidy was 50 yen per ton gross per 1,000 miles

run. Vessels with a speed of more than 12 knots were to receive a larger subsidy. It is to be noted that these subventions were to be reduced by 5% annually after the fifth year; that is to say, the period of the subventions was not to exceed 25 years.

Receiving as they do large subsidies, it is but natural that these subsidised lines should have to work under some sort of Government control. Besides being required to carry the mails, they are under the general supervision of the Minister of Communications who supervises their rates and fares, their terminli and ports of call; their particular gross tonnage, speed and age; the number of voyages, the number of days for each voyage, and the schedules of departure and arrival; the method of paying subventions; and disciplinary measures in case of failure to meet the requirements.

The Japanese Government makes various payments, in addition to the subsidies and subventions, to help the merchant marine, such as bounties for training seamen, life-boat bounties and fishing bounties.

Reservation of the Coasting Trade:— In addition to the above mentioned direct aids, Japan has adopted since 1910 the policy of excluding foreign vessels from her coasting trade. To encourage the plying of Japanese-built vessels along the

coast, the introduction of foreign-built vessels has been handicapped by a levy of import duties before they are allowed to be registered under the Japanese flag.

The immense success the attempts of the Japanese Government have met with in realising their aim of creating and developing a powerful merchant marine by all available direct and indirect methods may be seen at a glance from the tables given in Appendix B. They are an instructive record not merely of the large sums of money spent for a definite object but also of the complete realisation of the aim in view. The columns dealing with the amounts of the subsidies and of the dividends show, on comparison, a close relation, which means that practically up to the beginning of the great European war the amounts paid to the shareholders of the shipping companies as dividends were drawn from the amounts paid by the Japanese Government in various kinds of subsidies and subventions.

V.

STATE AID IN THE UNITED STATES OF AMERICA.

The United States of America have, since as early as 1817, reserved their coasting trade to ships flying the national flag. Even before that date the higher tonnage taxes levied under an Act of 1789 resulted in the practical exclusion of foreign shipping from the coastal traffic of America.

Running along the Atlantic and the Pacific Oceans, the extensive coast lines of the United States contain a greater number of important ports than any other country in the world. New York, Boston, Baltimore, Philadelphia, Norfolk, New Orleans, Galveston, San Francisco, Seattle and Tacoma, to name only a few, have facilities for berthing steamers and handling cargo unsurpassed elsewhere. The freight available for the coasting trade is also enormous. Annually millions of tons of iron ore, coal, wheat and lumber are carried on the Great Lakes alone—a traffic for exceeding that of the Suez Canal. Competent observers state that the freight tonnage carried in the coasting trade of the United States exceeds the total freight transported in all the ships of any other country with

he possible exception of Great Britain. Add to this, he huge passenger traffic between coastal ports warranting the use of 20-knot steamers and it is easy to realise the very important part the reservation of coasting trade has played in the development of the American merchant marine.

The second indirect method successfully adopted by the United States Government to foster shipping was to encourage ship-building within the country. To this end, a protectionist country usually exempts materials used in ship-building from the scheduled import duties. By section 19 of the United States Tariff Act of 1909, all materials of foreign origin intended for the construction of vessels in the United States may be imported free of customs duty ; but to encourage the use of home-made articles in the ship-building industry, the Act further provides that vessels which have so benefitted in construction may not engage in the general coastwise trade, reserved to American-owned vessels, for more than six months in each year though they may engage in the trade between the Atlantic and the Pacific ports of the United States. The full benefit of the coastwise legislation is thus derived only by vessels of American ownership built by American shipyards with materials manufactured in America.

The only direct financial aid which the United

States Government granted its merchant shipping before the Great War consisted of postal subventions to specified lines operating on specified routes in the foreign trade. By 1914 however, as a result of the increased costs of operation, the element of subsidy had disappeared from these mail contracts and the chief advantage derived therefrom by the shipping companies was the assurance of a large fixed payment every year.

The American outlook on shipping however has undergone a change since the recent war. Not content with a highly developed coasting traffic, American opinion demanded an equally strong position in ocean-going tonnage. The phenomenally large shipping and ship-building organisation created during the war had to be made permanent in accordance with popular demand and the Merchant Marine Act of 1920 was the result. This measure appointed the "United States Shipping Board" and invested it with various rights and powers exercised by the earlier bodies created during the war. "The Board shall be composed of seven Commissioners, to be appointed by the President by and with the advice and consent of the Senate; and the President shall designate the member to act as Chairman of the Board and the Board may elect one of its members as Vice-Chairman." (Sec. 3).

In addition to the sale, management and operation of vessels built during the war, "it shall be the duty of the Board, in co-operation with the Secretary of War, with the object of promoting, encouraging and developing ports and transportation facilities in connection with water commerce over which it has jurisdiction, to investigate territorial regions and zones tributary to such ports, taking into consideration the economies of transportation by rail, water and highway and the natural direction of the flow of commerce; to investigate the causes of the congestion of commerce at ports and the remedies applicable thereto; to invesitgate the subject of water terminals, including the necessary docks, warehouses, apparatus, equipment and appliances in connection therewith, with a view to devising and suggesting the types most appropriate for different locations and for the most expeditious and economical transfer or interchange of passengers or property between carriers by water and carriers by rail; to advise with communities regarding the appropriate location and plan of construction of wharves, piers, and water terminals; to investigate the practicability and advantages of harbour, river, and port improvements in connection with foreign and coastwise trade; and to investigate any other matter that may tend to promote and encourage the use by vessels of ports adequate to care for the freight which would

naturally pass through such ports: Provided, that if after such investigation the Board shall be of the opinion that rates, charges, rules or regulations of common carriers by rail subject to the jurisdiction of the Interstate Commerce Commission are detrimental to the declared object of this section, or that new rates, charges, rules or regulations, new or additional port terminal facilities, or affirmative action on the part of such common carriers by rail is necessary to promote the objects of this section the Board may submit its findings to the Interstate Commerce Commission for such action as such commission may consider proper under existing law." (Sec. 8.)

The Board is further authorised to encourage American Marine Insurance, which forms an essential adjunct to the merchant marine and to set apart $25,000,000 annually for a period of five years to encourage ship-building in the United States. This "Construction Loan Fund," as it is called, is "to be used in aid of the construction of vessels of the best and most efficient type for the establishment and maintenance of service on steamship lines deemed desirable and necessary by the Board, and such vessels shall be equipped with the most modern, the most efficient and the most economical machinery and commercial appliances." Construction of new vessels is further encouraged by (1) exemption

of the sale proceeds of vessels from income-tax if the entire amount is invested in the building of new ships in American shipyards: (2) exemption from the war-profits and excess-profits taxes on the earnings of vessels if such earnings are invested in constructing new vessels in American shipyards—both these clauses operating for the next ten years.

Not merely is the United States Shipping Board authorised to make all necessary rules and regulations to carry out the provisions of this Act, but it may also make rules and regulations affecting shipping in the foreign trade of the country if conditions unfavourable to shipping arise from foreign laws or from competitive methods or practices employed by the foreign owners or their agents. At home, it may approve, or request the Government departments to make, suspend modify or annul rules and regulations relating to shipping in so far as they effect the development of the merchant marine.

The Act requires all mails of the United States to be carried by American-built and American-owned vessels. It recognises, for the classification of vessels, the American Bureau of Shipping, a rival organisation to the British Lloyds.

The new outlook presented in the Merchant Marine Act of 1920, has recently again manifested itself in the

Ship Subsidy Bill which is now before the American Legislature. As its title indicates, this Bill is intended to provide a *direct* aid to the American Merchant Marine. It proposes to establish a "Merchant Marine Fund," derived principally from the payment of all tonnage taxes and ten per cent of the amount of all customs duties, paid in the public treasury, which will provide "compensation" to competent American citizens operating vessels registered under the laws of the United States and classified by the American Bureau of Shipping.

VI.

A SUMMARY

OF

STATE AID TO NATIONAL SHIPPING.

State aid to merchant shipping may take a variety of forms but may be classified under two broad heads, namely, direct and indirect. The following statement compiled mostly from an American official publication "Government Aid to Merchant Shipping" shows at a glance the various forms together with the countries wherein they prevail :—

Direct Aids.

(1) **Bounties or Subsidies** divided as a rule into construction and navigation bounties are paid in *France, Italy, Austria, Spain and Japan.*

(2) **Postal Subventions** preceded the introduction of the bounty system and at first combined direct financial aid with payment for services rendered. They are to-day in use practically *throughout the world* and guaranttee a large annual income to the shipping industry.

(3) Admiralty Subventions are prevalent in *England* where the British admiralty makes annual payments to owners of certain vessels.

(4) Fishing Bounties are paid in Japan and France.

Indirect Aids to Shipping.

(*a*) Reservation of coastal traffic:—*The United States, Russia, Austria, Belgium France, Spain, Portugal, Italy and Japan* have reserved their coasting trade to national vessels. Great Britain which has no specific law on this matter has, however, 99 % of her coastal traffic carried under the British flag.*

(*b*) Exemption from import duties on ship-building materials:—*Germany, Netherlands, Belgium and United States* grant free admission to ship-building materials. The *Scandinavian* countries impose import duties on ship-building materials but allow drawbacks in various cases.

(*c*) Loans to ship-owners were first paid by *Austria* in 1891 since when *Great*

* See para 308 of the Board of Trade Departmental Committee on Shipping and Ship-building, 1918.

Britain, Sweden, Russia, Belgium and France have advanced to shipping companies large sums of money at low rates of interest.

(*d*) **Preferential railway rates**:—Lower rail rates on goods shipped by specified steamship lines have been adopted by *Germany* since 1890. The practice has since been followed by *France and Russia.* In the *United States of America*, through preferential rates are allowed when the property or passengers are carried in American vessels.

(*e*) **Reimbursement of canal dues** were first introduced by *Russia* in 1879 and have since been paid by *Austria, Sweden and France.*

(*f*) **Exemption from port dues** are granted by *Denmark and Belgium.*

(*g*) **Exemption from taxation**:—*Austria*, by an Act of 1890 granted an exemption from income and trade taxes to all iron or steel vessels engaged in ocean voyages. Similar exemptions have been recently granted by the *United States of America.*

VII.

THE INDIAN MERCHANT MARINE BILL.

A

BILL

to

promote the growth of an Indian Merchant Marine adequate to the industrial and commercial requirements of India,

Whereas it is expedient to provide for the rapid development of an Indian Merchant Marine,

And whereas for this purpose it is expedient to encourage the employment of Indian vessels in the coasting trade of India and to guarantee fair and healthy competition among such Indian vessels plying along the coast of India,

And whereas for this purpose it is expedient to reserve the Coastal traffic of India to Indian vessels,

And whereas it is also expedient to provide for the prevention, of the payment of deferred rebates or of resort to retaliatory or discriminating practices by common carriers engaged in the coasting trade of British India or of the dominions of the princes and chiefs in India in alliance with His Majesty,

It is hereby enacted as follows :—

Short title and extent.

I. (1) This Act may be called the Indian Merchant Marine Act 192

(2) It extends to the whole of British India and applies also to the Dominions of princes and chiefs in India in alliance with His Majesty.

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

II. 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 British Indian subject" includes a Joint Stock Company, Corporation, Partnership or Association existing under or authorised by the laws of British India or of the dominions of princes and

chiefs in India in alliance with His Majesty.

(3) "Controlling interest" in a common carrier by water shall not be deemed to be owned by British Indian subjects—

(*a*) If the title to not less than 75 per cent of the stock is not vested in British Indian subjects free from any trust or fiduciary obligation in favour of any person other than a British Indian subject, or

(*b*) If not less than 75 per cent of the voting power is not vested in British Indian subjects, or

(*c*) If through any contract or understanding it is 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, or

(*d*) If by any other means whatsoever control of any interest in excess of 25 per cent is conferred upon or permitted to be exercised by any person who is not a British Indian subject, or

(*e*) If, in the case of a Joint Stock Company, Corporation or Association, the Chair-

man of the Board of Directors and not less than 75 per cent of the number of members of the Managing Firm and of the Board of Directors are not British Indian subjects.

(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.

(5) "Deferred Rebate" means a return of any portion of the freight money by a carrier to any shipper as a consideration for the giving of all or any portion of his shipments to the same or any other carrier, or for any other purpose, the payment of which is deferred beyond the completion of the service for which it is paid, and is made only if, either during the period for which such payment is computed or the period of deferment or both, the shipper has complied with the terms of the rebate agreement or arrangement.

(6) "Fighting ship" means a vessel used in a particular trade by a carrier or group of carriers for the purpose of excluding, preventing or reducing competition by driving another carrier out of said trade.

III. No common carrier by water shall engage in the coasting trade of India unless licensed to do so.

License for coasting trade.
Cf. Canada Shipping Act 1906, Sec. 959, 960.
Cf. Australian Navigation Act 1912-1920, Sec. 288.
Cf. U. S. A. Revised Statutes Sec. 4311.

IV. The license for engaging in the coasting trade 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.

Issue of License.

V. No license shall be given to a common carrier by water whose owner directly or indirectly, in respect of the transportation by water of passengers or property between the ports of India,

Refusal of License for
Cf. U. S. A. Shipping Act 1916, Sec. 14.

(*a*) pays or allows or enters into any combination, agreement or understanding, express or implied, to pay or allow a deferred rebate to any shipper, or

Payment of Deferred Rebate.

(*b*) uses a "fighting ship" either separately or in conjunction with any other carrier, through agreement or otherwise, or

Use of "fighting ship."

Retaliation against shipper.

(*c*) retaliates against any shipper by refusing or threatening to refuse space accommodations when such are available or resorts to other discriminating or unfair methods, because such shipper has patronised any other carrier or has filed a complaint charging unfair treatment or for any other reason, or

Unfair or unjust discrimination.

(*d*) makes any unfair or unjustly discriminatory contract with any shipper based on the volume of freight carried or unfairly treats or unjustly discriminates against any shipper in the matter of (a) cargo space accommodation or other facilities, due regard being had for the proper loading of the vessel and the available tonnage; (b) the loading and landing of freight in proper condition, or (c) the adjustment and settlement of claims.

The Governor-General in Council to determine

VI. The Governor-General in Council upon his own initiative may, or upon complaint shall, after due notice to all parties concerned, determine whether any person, joint stock company, corporation or association engaged in the coasting trade of India

Whether Sec. 5 has been violated.

(1) has violated any provision of Section V or,

(2) is a party to any combination, agreement or understanding, express or implied, that involves in respect to the coasting trade of India a resort to deferred rebates and retaliatory or discriminating practices designated in Section V.

Agreements to be filed with the Governor-General in Council.

VII. Every owner of a common carrier by water engaged in the coasting trade of India shall file immediately with the Governor-General in Council a true copy or, if oral, a true and complete memorandum, of every agreement with another such owner to which he may be a party or conform in whole or in part, fixing or regulating transportation rates or fares; giving or receiving special rates, accommodations, or other special privileges or advantages; controlling, regulating, preventing or destroying competition; pooling or apportioning earnings, losses or traffic, alloting ports or restricting or otherwise regulating the number and character of sailings between ports; limiting or regulating in any way the volume or character of freight or passenger traffic to be carried; or in any manner providing for an exclusive, preferential or co-operative arrangement.

Security for License.

VIII. Before granting a license the Governor-General 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 rules and conditions subject to which the license is issued.

Amount of Security.

IX. The amount of security required under Section VIII shall not exceed Rs. 10,000.

Duration of License.

X. Every such license shall be for the duration of one year only.

Renewal of License.

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

Proportion of Tonnage.

XII. A proportion of not less than 20% of the tonnage licensed for the first year, not less than 40% of the tonnage licensed for the second year, not less than 60% of the tonnage licensed for the third year, not less than 80% 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 owned by British Indian subjects. *

Cf. U. S. A. Shipping Act, 1916 Sec. 8-b.

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* Provisions about rupee capital and registration of the Joint Stock Company in India are omitted because Section 736b of the English Merchant Shipping Act of 1894 enacts that

"The Legislature of a British possession may, by any Act or Ordinance, regulate the coasting trade of that British possession, subject in every case to the following condition:—the Act or Ordinance shall treat all British ships (including ships of any other British possession) in exactly the same manner as ships of the British possession in which it is made."

XIII. 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.**

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

XV. No license 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 India and of the dominions of princes and chiefs in India in alliance with His Majesty. Such employment will 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. Such a growth would be greatly facilitated by the removal of some of the main obstacles that lie in the way of a fair and just competition among the vessels engaged in the coasting trade of India. They mainly consist of methods whereby a shipper is practically bound to confine all his shipments to vessels belonging to a particular shipping company or to the members of a shipping conference. Not merely is the freedom of the shipper to ship his goods by any vessel he may choose thus destroyed, but the progress of trade along desirable channels is also checked. A "disloyal" shipper is penalised by (*a*) refusal of space, (*b*) discrimination in the contract of freight, (*c*) the loading and landing of freight, (*d*) the adjustment and settlement of claims and various other discriminatory methods. It is the purpose of this Bill to do away with such practices so that an Indian Merchant Marine may grow unhampered.

APPENDICES.

APPENDIX A.

Annual public expenditure in aid of National Shipping by the different countries of the world.

The figures are taken from the Report of the United States Bureau of Navigation to the Secretary of Commerce and Labour and refer mostly to the year 1908-1909.

	$	Rs.	a.	p.
France ...	...13,423,737	... 41,949,178	0	0
Great Britain & Colonies	... 9,689,384	... 30,279,325	0	0
Japan ..	... 5,413,700	... 16,917,812	8	0
Italy ...	... 3,872,917	... 12,102,865	10	0
Spain ...	... 3,150,012	... 9,843,787	8	0
Austria Hungary ...	... 2,984,530	... 9,326,656	4	0
United States	... 2,695,287	... 8,422,771	14	0
Germany	... 2,301,029	... 7,190,715	10	0
Russia ...	... 1,878,328	... 5,869,775	0	0
Brazil ..	... 1,300,000	... 4,062,500	0	0
Norway	... 1,102,143	... 3,444,196	14	0
Netherlands	... 880,011	... 2,750,034	6	0
Sweden	... 277,752	... 867,975	0	0
Chile ...	... 253,195	... 791,234	6	0
Denmark	... 1,45,000	... 453,125	0	0
Mexico ...	... 75,000	... 234,375	0	0
Belgium	... 55,870	... 174,593	12	0
Egypt ...	... 54,512	... 170,350	0	0
Portugal	... 50,000	... 156,250	0	0
	49,602,407	155,007,521	12	0

Exchange at Rs. 3-2-0 to $ 1.

The table opposite indicates the volume of the assistance rendered by various Governments to the development of their respective merchant fleets. It has been necessary, for purposes of comparison, to give the figures of over a decade ago, but it may be mentioned that even to-day the relative volume of Government aid remains the same, the amount in most cases having increased during and after the great war. It would probably come as a surprise to most readers that Great Britain with her Dominions is spending every year from the public treasury about one-fifth of the total amount spent on the merchant marine by all the other countries of the world put together.

APPENDIX B.

SUMMARY OF FOURTEEN YEARS' WORKING OF SHIPPING COMPANIES IN JAPAN.

FROM "THE FINANCIAL AND ECONOMIC ANNUAL OF JAPAN 1920."

Year.	No. of Cos.	Paid up Capital.	Vessels.	
			No.	Tons gross.
		£		
1906	13	4,316,700	344	491,258
1907	16	5,713,517	537	527,766
1908	18	5,927,150	543	564,179
1909	20	6,005,018	538	575,872
1910	20	6,144,257	535	600,042
1911	20	6,163,630	454	648,866
1912	18	6,065,101	419	702,738
1913	23	6,248,400	582	785,190
1914	24	6,525,800	578	841,931
1915	24	6,579,650	608	895,615
1916	28	8,047,500	603	980,793
1917	52	17,420,000	803	1,127,483
1918	65	26,988,250	1496	1,386,642
1919	56	26,932,827	1542	1,397,813

APPENDIX B—(*Contd.*)

Receipts.			Net earnings.	Amount brought over from the preceding year.
Earnings.	Miscellaneous receipts.	Shipping subsidies & bounties.		
£	£	£	£	£
3,269,965	398,394	492,728	401,517	162,055
3,883,272	387,199	835,503	441,415	85,428
3,877,347	209,695	862,339	384,713	50,860
3,748,770	187,796	1,106,430	428,075	48,064
4,089,140	203,809	1,161,066	771,009	44,217
4,489,431	222,272	1,221,594	864,944	123,390
5,190,030	263,978	1,185,160	1,033,977	214,252
5,963,042	324,213	1,152,195	1,570,382	141,282
5,796,573	336,269	1,123,057	1,259,082	212,757
7,584,541	588,763	840,645	2,145,085	178,048
15,190,436	567,480	724,849	6,311,017	217,732
29,513,179	2,392,110	681,933	14,314,307	2,498,728
63,845,195	2,631,408	607,283	21,844,380	1,084,407
56,457,500	3,308,671	555,825	10,129,098	1,868,778

APPENDIX B.—(*Contd.*)

Year.	Distribution.			Rate of dividend %
	Reserve.	Bonuses.	Amount of dividends.	
	£	£	£	
1906	33,315	67,870	398,741	9·23
1907	41,789	21,944	435,455	7·37
1908	40,804	23,498	421,030	7·10
1909	37,615	21,525	377,364	6·28
1910	179,901	23,680	395,338	6·43
1911	286,885	29,138	485,444	7·87
1912	515,096	38,294	552,697	9·11
1913	866,516	42,566	588,473	9·41
1914	698,669	45,477	529,652	8·11
1915	1,186,954	88,905	862,159	13·10
1916	1,580,321	206,285	2,336,035	26·11
1917	7,908,031	594,094	7,200,464	41·33
1918	9,803,265	533,116	9,717,456	36·00
1919	4,765,187	325,932	7,530,932	27·96