INDIAN SHIPPING SERIES.

PAMPHLET No. 6.

MEMORANDUM

ON THE

DEFERRED REBATE SYSTEM

SUBMITTED TO

THE IMPERIAL ECONOMIC CONFERENCE

BY

THE SCINDIA STEAM NAVIGATION CO., LTD.

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The Memorandum and the enclosures were forwarded by the Scindia Steam Navigation Co., Ltd., in order that the *Indian* point of view may not be overlooked when the Imperial Economic Conference discusses, as arranged, the Final Report of the Imperial Shipping Committee on the Deferred Rebate System.

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Memorandum.

A Memorandum on the Final Report of the Imperial Shipping Committee on the Deferred Rebate System.

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The Chief recommendation of this Committee on the question sumbitted for their judgment reads as under:—

> "The Deferred Rebate System is plainly "open to certain objections and although "the Agreement System is equally open to "objections, we recommend that it should "be given to shippers as a running "option"

that is, individual shippers should have the choice,

(a) of binding themselves by means of an agreement over a certain period or by a running agreement subject to a certain period of determination or

(b) of remaining under the Deferred Rebate System.

Both the systems could thus be in operation simultaneously, but all shippers would be held by one or other method.

Unfortunately however for the conclusion of the Committee though they seem to evince very little faith in its successful operation, important shippers have definitely stated before them that the Deferred Rebate is an evil system, and ought to be abolished in the interests of the development of

trade. Pure reason and dispassionate review seem to have convinced the Committee that the system ought to be abolished. In this view they have doubtless been corroborated by the recommendations of the minority report of the Royal Commission on Shipping Rings and even by the findings of the majority report of that Commission which though not favouring the abolition of the Conference and the Rebate System thus lays down its opinion against the operation of the system. "It is sufficient for us to state that in our opinion the monopoly obtained by the Conference using the system of Deferred Rebates, has in certain cases enabled Conferences to make larger profits and to place rates on a higher level than they would, but for the system, have been able to do, or at least to arrest a possible fall in profits or rates."

The evidence of important shippers and Associations of Shippers placed before the Royal Commission must have also shown to the Imperial Shipping Committee the evil side of the Deferred Rebate System. They have therefore been drawn to the conclusion that "the Deferred Rebate System is plainly open to certain objections."

Thus far the view point of the Shipping Committee may be regarded as sympathetic to the joint interests of the shippers and traders. But the interests of the Ship-owners had also to be considered—perhaps demanded a more sympathetic treatment in view of the dislocation arising from the losses incurred during the Great War. British Shippers are mostly restricted to the British Isles. British Ship-owners, however, have an international position and must be helped—if necessary by

official action—to recover their old position because the material prosperity of Great Britain is largely dependent upon British Ship-owners. To safeguard their interests became therefore the duty of the Imperial Shipping Committee who casting about for a tie chanced upon the system of agreement which sounds more equitable than the Deferred Rebate which is wholly one-sided.

Let us now examine the Agreement System and the reasons why it was selected out of the various alternative ties to the Deferred Rebate System placed before the Imperial Shipping Committee. We find from the report that there are three alternatives suggested to the Committee. In this connection attention may perhaps usefully be drawn to the fact that in a discussion of the alternatives to the tie question, the Imperial Shipping Committee Report refers to the opinions of ship-owners only. It follows therefore that the views of the shippers were not invited upon the various proposals alternative to the Deferred Rebate System. This fact will indicate in a concrete manner, the bias in favour of the shippers with which the whole of the findings and the Report of the Committee abound and to which reference has already been made above.

ALTERNATIVE TIES TO THE DEFERRED REBATE SYSTEM.

(1) Preferential Contracts.—It seems to have appeared to the Imperial Shipping Committee that the Preferential Contracts which were in operation in various trades before introduction of the Deferred Rebate System may now be usefully

revived but the ship-owners to whom reference was made state that they were reluctant to enter into such contracts *now* as they lead to trouble and jealousy but if a trade became "open," ship-owners would be compelled to adopt it to ensure regular support. An analysis of this statement will show that the ship-owners having got hold of a very useful instrument of monopolization were reluctant to give it up unless they were forced to do so. They would however willingly accept the tie of Preferential Contracts if their favourite Deferred Rebates was abolished, by Law.

(2) THE AGREEMENT SYSTEM.—This system is in operation in the South African Trade. Its genesis however provides an excellent commentary upon the methods by which certain ship-owners circumvent wholesome legislation. The Deferred Rebate System prevailed in South Africa until it was declared illegal by law. The ship-owners, not to be thus thwarted in their customary mode of controlling the freedom of the shipper, instituted the Agreement System as a tie in place of the Deferred Rebates now declared illegal. By this method in a way the pious intentions of the South African Legislatures have been evaded by the ship-owners interested in the African Trade. The Agreement System should be regarded not as a preferable alternative to the Deferred Rebate System but a loophole by which the recognised intentions of the Legislature have been circumvented by interested parties. The requisite South African Law is called "The Post Office Administration and Shipping Combination Discouragement Act" which, passed in 1911, was

intended to deliver a flank attack upon the Deferred Rebate System through the medium of the mail contract. It provides that the Governor General shall not enter into any Ocean Mail Contract with any person who gives any rebate upon condition of the exclusive shipment of goods by vessels of particular lines. The English Shipping Companies that would have been brought under this Act set about evolving new ties to keep the shippers under proper control and through the South African Trades Association which seems to consist of large shippers from Great Britain who are interested in the South African Trade succeeded in getting signed an agreement which forms the prototype of the one recommended as optional by the Imperial Shipping Committee and which apparently meets the requirements of the South African Trade.

The main features of the Agreement as printed by the Imperial Shipping Committee in their Report may be summed up thus:—

(a) It gives equality of rates and stability of freights to large and small shippers alike except that it does not apply to large parcels of cargo, not being merchants berth cargo and special rates for large parcels are quoted to mining companies, municipalities etc., without reference to the Trade Association.

(b) The Association regarded their support as contingent on the Lines carrying the goods at "reasonable rates." If they did not regard the rates as

reasonable, either there was to be arbitration or the signatory shipper can give six months' notice to terminate the Agreement. The Lines were bound to consult the Association before making any general alteration in rates, but could raise rate on particular commodities without notice. Be it noted that this leaves a considerable amount of latitude to the shipowners who could enhance the freight rates upon particular commodities without notice and without the shipper having the right to complain or to seek arbitration. This apparently small concession would seem to turn the contract wholly in favour of the ship-owner. Besides, no check seems to have been proposed on the shipowner charging higher rates on commodities by putting them in a higher class—an evil particularly evident in the South African Trade at the Time of the Royal Commission—the term in the Agreement would even seem to encourage this evil.

(c) In the event of competition offering lower rates, the Lines are bound to protect the signatories, who may withdraw after 30 days' notice if they consider the protection inadequate. Recently foreign lines had started loading to South Africa, and had quoted low rates. The Conference

had met their shippers by reductions in their Tariff rates on various classes of goods in order to meet foreign competition, and in addition allowed a temporary reduction in freights on other similar goods sent by boats loading, first of all within a week each way and now within a fortnight each way, of a boat sailing from the Continent.

It is worth remarking that the Agreement System has not evoked the enthusiasm of either the shippers or the ship-owners. Sir Allen Anderson in his evidence before the Imperial Shipping Committee stated that the South African Agreement System was in practice working not unsatisfactorily, but that it was not very popular with either side. He further added that it was cumbersome though he had not himself come across any concrete instances of objection to it. The general opinion among both the parties concerned would seem to be, particularly from the shippers' point of view, that of the two evils of the Deferred Rebate and the Agreement Systems, the latter, if practicable in all Trades, was less reprehensible in results.

It is further urged against the Agreement System that it would be more difficult to make the Agreement apply to all merchants generally unless they were organised in one body like the South African Trades Association. It is moreover argued that the efficacy of the system still remains to be demonstrated particularly so because the system was introduced during the war when there

was practically no competition but since the war as a result of new competition from Foreign Steamship Lines difficulties have already arisen as a result of the low competitive freights fixed by the Foreign Steamship Lines.

It is further pointed out that the Agreement System, though practicable in a well organised trade like the one to South Africa controlled by a Central Association like the South African Trades Association with its membership mostly confined to men of British Race and Nationality, was bound to break down when applied to the unorganised foreign owners and shippers belonging to various nationalities without any cohesion or prospects of immediate concerted action.

Another difficulty in the application of the Agreement System is provided by Trades in which the volume of cargoes and the irregularity in their flow makes it impossible to prejudge their requirements. Such trades scattered in different lines can scarcely be brought under a system which presupposes for its successful operation the existence of central organisations capable of collective bargaining.

It is moreover possible that the Agreement System would lead to greater discrimination, more injurious in its effects, than the one which prevails under the Deferred Rebate System. If the contract is to run for a definite period the ship-owners will insist upon the right, conceded to every other trader of selecting the persons with whom and the occasions on which they enter into such contracts. It is easily seen how these factors will open up the

possibility and strengthen the character of the discrimination which would then be practised by the ship-owner against the offending shipper.

In view of the particular nature of the Agreement, the ship-owner who is bound down for a definite period may well ask for guarantees from the shippers that their part of the bargain will be kept. Mere verbal or written assurances of good faith will not then be enough but monetary securities may be demanded, which will place the shipper in a more undesirable position than the one he occupies to-day.

Besides the Agreement system will open up new avenues of interference by the ship-owner into the private affairs of the shipper. As against the Rebate System under which the onus of proving that he has given his entire support to the Shipping Company is on the shipper, the contract system places the onus of proving that the shipper has not given his entire support to the Shipping Company upon the ship-owner who will be entitled to the inspection of all the books and papers of the shipper bearing on the point.

In view of the manifold disadvantages of the Agreement System mentioned above, it is difficult to say how it is an improvement upon the Deferred Rebate System. As a matter of fact it is impossible for any system which puts the shipper under a tie to take the place of the Deferred Rebate System without producing those evils which admittedly flow from any system which creates a partial monopoly for the benefit of the ship-owner by tieing the shipper to a particular steamship line or a con-

ference of various steamship lines. The evil lies in the tie and any recommendation which through its solicitude for the ship-owner tries to perpetuate the tie, call it the Deferred Rebate System or the Agreement System as you will, cannot erradicate the evils under which the trading community has for a long time been groaning.

Finally we may point out that opposition to the system of Deferred Rebates, which is the chief illustration of the tie principle, has made itself particularly prominent in those parts of the Empire which have set their hearts upon the development of a national merchant marine. South Africa, Australia and India have expressed themselves unmistakably in regard to that question. The Self Governing Dominions of the Empire such as South Africa and Australia have already legislated against this repressive system; in India, though public opinion as represented by the Indian Press and Indian Commercial Organisations has declared against it, the Government has so far remained unmoved, with the result that at the Delhi Session of the Legislative Assembly in February 1923, Mr. T. V. Seshagiri Aiyar introduced a bill to abolish the Deferred Rebates and was offered promises of whole-hearted support by a large number of Indian Members of the Assembly. (Copies of the Bill and our opinion thereon are enclosed herewith).

Mr. T. V. Seshagiri Aiyar's Bill for the prevention of the Deferred Rebates.

II

Mr. T. V. Seshagiri Aiyar's Bill for the prevention of the Deferred Rebates.

A

BILL.

To provide for the prevention of the Deferred Rebates and for the prevention of rate wars and resort to retaliatory or discriminating practices in the coastal traffic of India.

Whereas it is expedient to provide for the growth of an Indian Merchant Marine by guaranteeing fair and healthy competition and by checking monopolies;

And whereas for this purpose it is expedient to provide for the prevention of the grant of Deferred Rebates or resort to retaliatory or discriminating practices and for the prevention of rate wars by common carriers engaged in the coasting trade of British India.

It is hereby enacted as follows:—

I. This Act may be called the Prevention of Deferred Rebates Act of 192 .

II. It extends to the whole of British India.

III. It shall come into force on such date as the Governor-General in Council may, by notification in the "Gazette of India" appoint.

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

(1) "A common carrier" means a common carrier engaged in the transportation by

water of passengers or property between any two ports in British India or between any port in British India and any port or place in the continent of India.

(2) "Deferred Rebates" 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 paid only if, either during the period for which computed or the period of deferment or both, the shipper has complied with the terms of the rebate agreement or arrangement.

(3) "A subject" means a person and includes a corporation, partnership or association existing under or authorised by the laws of British India or of the Dominions of princes and chiefs in alliance with His Majesty.

(4) "The Coasting Trade of India" means the carriage by water of goods or passengers between any two ports in British India or between any port in British India and any port or place in the continent of India.

(5) "Minimum rate" means a rate which covers cost of service and includes a

fair return on capital invested after meeting depreciation and other essential charges.

V. No common carrier by water shall, directly or indirectly in respect of the coasting trade of India—

(a) pay or allow or enter into any combination, agreement or understanding, express or implied, to pay or allow a Deferred Rebate to any shipper,

(b) retaliate against any shipper by refusing or threatening to refuse space accommodations when such are available, or resort 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;

(c) make any unfair or unjustly discriminatory contract with any shipper based on the volume of freight carried or unfairly treat or unjustly discriminate against any shipper in the matter of (1) cargo space accommodation or other facilities, due regard being had for the proper loading of the vessel and the available tonnage, (2) the loading and landing of freight in proper condition or (3) the adjustment and settlement of claims.

VI. The Governor-General in Council, without prejudice to the right of parties to move the courts, upon his own initiative may, or upon complaint, shall, after due notice to all parties in interest and bearing, determine whether any person, joint stock company, corporation or association engaged in the coasting trade of India—

(1) has violated any provision of Section 5 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 5.

VII. If the Governor-General in Council determines that any such person, joint stock company, corporation or association has violated any such provision or is a party to any such combination, agreement or understanding he may thereafter refuse such person, joint stock company, corporation or association the right of entry for any common carrier directly or indirectly under his or its control, into any port of British India until the Governor-General in Council certifies that the violation has ceased or such

combination, agreement or understanding has been terminated.

VIII. Every common carrier 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 carrier or modification or cancellation thereof, to which it 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.

IX. Every carrier shall also file with the Governor-General in Council a scale of maximum and minimum rates.

X. No carrier shall depart from the scale filed in accordance with Section IX

except with the approval of the Governor-General in Council.

Whenever the Governor-General in Council finds that any rate or fare is unjust or unreasonable, he may determine, prescribe and order the enforcement of a just and reasonable maximum and minimum scale of rates and fares.

XI. Whenever a carrier reduces its rates on the carriage of any species of freight to or from competitive points below a fair and remunerative basis with the intent of driving out or otherwise injuring a competitive carrier by water, it shall not increase such rates unless after hearing, the Governor-General in Council finds that such proposed increase rests upon changed conditions other than the elimination of said competition.

XII. The Governor-General in Council may by order disapprove, cancel or modify any agreement or any modification or cancellation thereof, whether or not previously approved by him that he finds to be unjustly discriminatory or unfair as between carriers, shippers, exporters and importers or to operate to the detriment of the commerce of British India or to be in violation of the Act and shall approve all other agreements, modifications, or cancellations.

XIII. Whoever violates any provision of any Section of this Act or refuses or fails to carry out the orders of the Governor-General in Council shall be liable to a penalty of a fine of not less than Rs. 10,000 or simple imprisonment to a term of not less than six months or both.

STATEMENT OF OBJECTS AND REASONS.

The object of this Bill is to remove some of the main obstacles that lie in the way of the development of an Indian Merchant Marine. 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, and rate wars waged for stifling all competition by ruthless and unfair rate-cutting. 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.

Opinion of the Scindia Steam Navigation Company on the Bill.

III.

Opinion of the Scindia Steam Navigation Company on the Bill.

The Scindia Steam Navigation Co., Ltd., supports the Bill (copy enclosed) introduced by Mr. Seshagiri Aiyar to provide for the prevention of the Deferred Rebates and for the prevention of Rate Wars and resort to retaliatory or discriminating practices in the coastal traffic of India. Taking the Deferred Rebate System first it is our opinion that the system hampers the growth of trade and works essentially as a restraint upon it. We trust it would not be out of place for us to refer a little briefly to the history of the opposition to the system during the last few years. As the result of complaints from the shippers the Government of England appointed in 1907 a Royal Commission to investigate the question of Shipping Conferences and the Deferred Rebates. The report published by the Commission in 1909 presented two views slightly different from each other. Yet the difference was marked enough to prevent any immediate legislation on the subject. The minority report expressed its thorough disapproval of the system of the Deferred Rebates as practised by the Shipping Conferences and even the majority report which suggested various methods by which the evils of the system could be reduced to a minimum had to remark "It is sufficient for us to state that in our opinion the monopoly obtained by the Conferences using the system of Deferred Rebates has in certain cases enabled Conferences to make larger profits and to place rates on a higher level than they would, but for the system have been able to

do, or at the least to arrest a possible fall in profits or rates."

Similarly within certain limits the opinion of the Imperial Shipping Committee on the subject as expressed in its Report on the Deferred Rebate System is no less condemnatory though like their predecessors they did not feel themselves in a position to propose the abolition of the system. They say "that the Deferred Rebate System is plainly open to certain objections and although the Agreement System is equally open to objections, we recommend that it should be given to shippers as a running option." The evil of the system, therefore need not be dilated upon. Almost all the commercial and most of the official opinion upon the subject that was expressed before the Royal Commission was against the continuation of a system which has checked the growth of trade and as in the case of Chittagong diverted the legitimate trade of a port to its neighbouring rival. Equally strong has been the evidence put before the Imperial Shipping Committee by the shippers interested in Indian Trade.

Though as stated above, neither of the two English inquiries upon the subject though aware of the evil have suggested legislation against the continuance of the system, example are not wanting in the British Empire itself and in foreign countries of legal measures forbidding a practice harmful to the interests of commerce. The commonwealth of Australia and to a limited extent the Union of South Africa have made the use of the system in their respective countries impossible while the United States of America have com-

pletely prohibited the payment of Deferred Rebates. The unrestrained activity of ship-owning interest in this respect has also been partly curtailed in France, Austria and Germany. Fuller details regarding the laws about shipping rings and Deferred Rebates will be found in pamphlet No. 3 of the Indian Shipping Series entitled the Deferred Rebate System. (Copy enclosed).

It is however not merely on the analogy of the other countries nor merely in the interests of Indian Commerce that we support the abolition of the Deferred Rebate System, but we hold that opinion in the interests of the wider question of the growth of a National Merchant Marine for India. It is needless to refer in great detail to the use made by the foreign existing monopolist interests in the case of India to prevent the Indian shippers from sending their cargo through ships belonging to the new Indian Companies. In our opinion, therefore, the question of the Deferred Rebates should be judged nor merely by its effect upon trade—which is bad enough—but by the easy method it provides of not allowing a new steamship line to get a foothold in the coasting trade of India. Indian opinion on this question has been practically unanimous for the last 25 years during which various attempts made by Indian capital to own coasting tonnage have been frustrated by the existing monopoly and as the main and unanimous report of the Indian Fiscal Commission points out "the system of shipping rebates is one of the strongest buttresses of monopoly." In the interests, therefore, of the Indian Commerce as also of an Indian Mercantile Marine,

we recommend the passing of the measure introduced in the Legislative Assembly.

We are equally strongly in favour of the proposal made in the bill to fix the minimum and maximum rates of sea freights along the coast of India. Transport is a special branch of economics and the laws applying to it have to be different from those prevailing in the case of manufacturing industries. Besides the fixing of maxima and minima for the rates of freight is not unknown in the allied subject of the railways. The minimum rates could easily be fixed by knowing the cost of providing a particular service and the upper end of the scale could be arrived at by allowing for a certain fluctuation in the factors that compose shipping expenditure. That there are not frequent or violent fluctuations is proved by the fact that as a rule for years together the rates of freight remain unchanged even under the existing conditions. Rates of freight do not change with the frequency of the prices of commodities. It should therefore be relatively easy task to fix various standard freight rates—particularly so because now that the Government of India has appointed a Tariff Board, the question of the freight rates of sea transport may safely be left to that body.

Indian shipping enterprise has had very ruinous experiences of the Rate wars. Whenever an Indian cargo or passenger line has put its steamers in competition with those of the established monopoly, rates of freight and fares are cut until ruin drives out the rival from the field—economically disastrous events which must be prevented at all costs in the future.

Maximum rates of freight will guarantee that the shipper is not unduly exploited by the ship-owning interests.

In the interests, therefore, of Indian Commerce, Indian shippers and Indian shipping enterprise, we support the Bill introduced by Mr. Seshagiri Aiyar.

Mr. S. N. Haji's Pamphlet on the Deferred Rebate System.

PREFACE.

As originally planned, this pamphlet was based upon the Report of the Royal Commission on Shipping Rings published in England in 1909. Whilst the pamphlet was going through the press, however, the Final Report of the Imperial Shipping Committee on the Deferred Rebate System was published by the Government of India. It brought out many new and up-to-date facts. The appropriate portions from this Report have, therefore, been incorporated into the body of the pamphlet.

As the present demand of India aims at the creation and development of a National Mercantile Marine, the luke-warm finding of the Imperial Shipping Committee:—

> "that the Deferred Rebate System is plainly open to certain objections and although the Agreement System is equally open to objections, we recommend that it should be given to shippers as a running option"

will not be acceptable to this country. The Imperial Shipping Committee has envisaged the whole subject of its inquiry practically from the view-point of the shippers. It is remarkable, however, that all the evidence put before the Committee from shippers interested in Indian trade, both inward and outward, was unanimously against the operation of the Deferred Rebates. The Calcutta Jute Fabrics Shippers' Association, the Baled Jute Shippers' Association, and the Calcutta Wheat and Seed Trade Association made a representation against the Rebate System as applying in the trades

from India to United Kingdom, South Africa, the Plate and West Coast of South America and to China, Japan and Java. Besides, ten Trade Associations in the United Kingdom interested in the Indian trade made a joint representation against the Rebate System as obtaining in the Calcutta Homeward trade. However, the question—from the point of view of India to-day, the very important question—of the entry of a new line into a trade has been very cursorily treated by the Committee; the two paragraphs dealing with the subject do not cover even one page of its Report. The present Indian feeling on the subject of a merchant fleet gathers its strength not merely from the grievances of the shippers but from the unsatisfied patriotic spirit which, looking for an adequate national shipping, is confronted with a foreign monopoly jealously guarding its preserves along the coast of India. As the main unanimous report of the Indian Fiscal Commission points out "the system of shipping rebates is one of the strongest buttresses of monopoly". It is with a view to help to clear away such a heavy obstacle from the onward path of Indian shipping that this pamphlet has been written.

S. N. HAJI.

DELHI,
18th February, 1923.

IV.

THE DEFERRED REBATE SYSTEM.

GENERAL.

The recent awakening of Indian public opinion regarding the importance of a National Merchant Marine as an adjunct to the economic development of the country has prompted this study of the Deferred Rebate System. Not only has such importance been realised by the responsible Indian Press but its echoes have been heard in the Indian Legislature. On 12th January, 1922, Sir Sivaswamy Aiyer moved a resolution in the Legislative Assembly recommending the appointment of a Committee to consider the whole question of an Indian Mercantile Marine. On two consecutive days in March, 1922, the Hon. Mr. Lalubhai Samaldas introduced in the Council of State resolutions cognate to the same subject. All the three were, with slight modifications, accepted by the Government which has since, in February, 1923, appointed the Indian Mercantile Marine Committee to investigate the whole subject of the shipping and the ship-building industries of India. The demands of the members of the two Houses of Legislature have been re-iterated by many witnesses before the Indian Fiscal Commission.

An examination of the reasons which have prevented the success of the many Indian Shipping Companies floated till now reveals many interesting sidelights. Much has been said in this connection about bad and inefficient management by In-

dians. But there are, among others, two main objections to this view. How is it that Indians capable of managing other industries become suddenly incapacitated when they enter the charmed, for them more rightly, the barred, circle of shipping Besides, are not even the Americans reported by some Englishmen to be incapable of efficiently managing the shipping industry? Is it not true, that in various other countries even, new Shipping Companies are barely tolerated by the existing monopolistic concerns even after they have failed in their initial attempts to crush them?

What is then, one may ask, the secret of the success of the older established organizations? Is it economic working and super-human foresightedness? No. The secret lies in the Shipping Ring and its charm the Deferred Rebate. Immoral in ethics, unfair in economics, and almost illegal in law, the rebate withheld by the Shipping Companies to guarantee the loyalty of the shippers creates a virtual monopoly. Its recognition as a method of business must be ascribed to the lack of union and the diversity of interests among the merchants who, thus, fall victims to the system. The evil is not confined to India alone. The abuse of the Deferred Rebate System came prominently before the Government of England in 1907. When a legal judgment is doubtful, the British practice is to expose the guilty before a Royal Commission and such a one was then appointed to examine the whole subject. The volumes of the "Report of the Royal Commission on Shipping Rings with Minutes of Evidence and Appendices," published in 1909, provide ample material for a thorough study

of the question in all its aspects. The following definitions are taken from the Report Volume:—

A Shipping "Ring" or "Conference" is a combination more or less close of Shipping Companies formed for the purpose of regulating or restricting competition in the carrying trade on a given trade route or routes. The vessels employed by these Companies are usually of the class known as liners, *i.e.,* vessels of high class and speed, sailing and arriving at fixed dates advertised beforehand. In addition to mail steamers and passenger steamers, they include vessels which carry cargo only and are known as cargo liners. In some cases, vessels which operate elsewhere and at other times as tramps are also employed by the Conference Lines.

The operations of a Conference are confined to a particular trade route, that is to say, the engagements which the various companies enter into with one another only apply to the trade within certain definite areas or between specific ports. A steamship company may be a member of several Conferences, but its engagements in one are independent of those in any other. The alliance is not one of steamship companies for all purposes, but only as to their operations within a specified area.

The system of Deferred Rebates, by which the shipping conferences turn themselves into practically monopolistic and generally anti-social organizations, works as under:—

The Companies issue a notice or circular to shippers informing them that, if at the end of a certain period (usually four or six months) they

have not shipped goods by any vessels other than those despatched by Members of the Conferences, they will be credited with a sum equivalent to a certain part (usually 10 per cent) of the aggregate freights paid on their shipments during that period and that this sum will be paid over to them, if at the end of a further period (usually four or six months) they have continued to confine their shipments to vessels belonging to Members of the Conference. The sum so paid is known as a Deferred Rebate. Thus in the Indian Coastal Trade at the present day the amount of the rebate payable is 10 per cent. of the freight paid by the shipper. The rebates are calculated in respect of two six-monthly periods ending with the 30th June and 31st December, respectively, but their payment to the shipper is not due until a further period of six months has elapsed; that is to say, as to shipments made between the 1st January and the 30th June, the rebates are payable on the 1st January following, and, as to shipments made between the 1st July and the 31st December, the rebates are payable on the 1st July next. It follows that in every instance the payment of the rebate on any particular item of cargo is withheld by the ship-owners for at least six months or more and that, in the case of cargo shipped on the 1st January, or 1st July, it is withheld for a period of full twelve months. If during either six-monthly period a shipper sends any quantity of goods, however small, by a vessel other than those despatched by the Conference Lines, he becomes disentitled to rebates on any of his shipments by Conference vessels during that period and the preceding one. He, moreover, courts another danger. It is not unusual for the Con-

ference Lines to penalize a "disloyal" shipper by refusing him space in their steamers for subsequent shipments. Fear of a possible ruin, therefore, prevents a shipper from patronizing a new Shipping Company.

In order to obtain the rebate due to him, a shipper has to make a statement on a form of claim prescribed by the Conference Lines to the effect that he has complied with the conditions of the rebate circular, and in the case of most Conferences, this statement has to be sent within a prescribed period to the Shipping Company from whom the rebates are claimed. If a shipper has shipped goods by more than one Company in the Conference, he claims from each of those Companies the amount of rebates due upon his shipments in each case. The rebates, that is to say, are usually paid by the individual members of the Conference and not by the Conference as a whole. In the Bombay Rangoon Trade the shipper has to forward the following letter to the Shipping Company before he can receive the rebate due to him:—

> "Annexed we beg to hand you a list of our shipments of cargo by your line of steamers to Rangoon *during the six-months* ending.....on the freight of which we claim a rebate of 10 per cent in consideration of our not having made or held any interest whatever in other shipments from Bombay to that port by vessels other than those belonging to the British India Steam Navigation Coy., Ld. and Asiatic S. N. Coy., Ld., during the past twelve months."

Such is the essence of the Rebate System. The methods by which it is enforced vary in different trades. Here, however, it is only necessary to point out that the chief object of the system is to bind the shipper to the Conference Lines by making the receipt of a sum of money in the form of a rebate of freight contingent upon absolute "loyalty" to the Conference, so far as shipments within the area of the Conference are concerned. The system imposes a continuous obligation upon the shipper to send his goods by the Conference Lines. The shipper, it is true, is not bound to send his goods by the Conference Lines. He does not by contract, expressed or implied, bind himself to do so. But for the shipper who has once sent his goods by the Conference Lines, there is, unless he chooses to cease shipping altogether for a considerable period, no day in the year on which he is free to ship by 'outside' vessels, save by foregoing his rebates. Thus the shipper, who on the 1st January, claims rebates on shipments between the previous 1st January and 30th June, has already been credited with a certain sum in respect of his shipments between 1st July and 31st December, but he becomes disentitled to these if he ships even once by an outside steamer in the next six months, and by the time that the payment of these rebates falls due he is credited provisionally with others, for which a further period of six months 'loyalty' has to be served and so on, *in perpetuum.*

The cardinal principle of the system is that a shipper, who during a particular period ceases to confine his shipments exclusively to the Conference, loses his right to the rebate not only in respect of

goods shipped during that period, but also in respect of goods shipped during the previous period.

HISTORY.

The history of the Shipping Rings and rebates is thus summed up by the late Sir Thomas Sutherland, for many years, the head of the Peninsular and Oriental Steam Navigation Company, Limited.

> "Conferences, pooling arrangements and rebates were unknown in the Eastern trade until some years after the Suez Canal was opened. The carrying trade was free at all points to whosoever might choose to put his capital into it, and yet rates of freight were then higher than they have been since. This state of affairs was due to the fact that the supply of steam tonnage was then limited. But in a very few years, an entire change in the situation was evolved by what was called the compound engine, and the tonnage in the Eastern trade soon outstripped its requirements. The natural result was impoverished rates and a struggle for existence which led to several lines withdrawing from the field, although they had entered under fair enough auspices. *It was in the late seventies that the remaining lines, then engaged in a hand-to-hand competition, began to draw together so as to stave off disaster by coming to arrangements between themselves and with their customers.*"

The "hand-to-hand competition" was not simply between the tramps on the one hand and the

liners on the other but also between the different lines of steamers; to put down and prevent such competition became, therefore, the main object of the Shipping Conferences. With that end in view, the First Shipping Ring, the Calcutta Conference, was formed in 1875. It consisted of the Peninsular and Oriental Company, the British India Company, and one or two other lines of London, Geo. Smith & Sons, and the City Line of Glasgow, Rathbone Bros. & Co., and T. & J. Harrison of Liverpool. After experimenting with various forms of contract between the shippers and the ship-owners, the system of the Deferred Rebates was introduced in 1877 and applied to the shipment of Manchester piece-goods. Having benefitted by the system, the Shipping Companies lost no time in extending it in other trades and other routes. It was introduced in the China trade in 1879, in the Australian trade in 1884, in the South African trade in 1886, in the West African trade in 1895, in the River plate and South Brazil trades in 1896, in the North Brazil trade in 1895, and in the trade to the West Coast of South America in 1904. Practically, then, with the exception of the Atlantic trade which is served by the spacious passenger liners, the system applies to all the cargo, except coal and special shipments, shipped outwards from the United Kingdom.

OBJECTS.

The sole aim of the Conferences whether plying their ships along the Indian coast or elsewhere is to *prevent competition and to raise or maintain rates of freight.*

"Under the Deferred Rebate System," says the Minority Report of the Royal Commission on Shipping Rings "a number of Shipping Companies combine to secure a monopoly of a proportion of the shipping trade." They realise their object by undercutting their competitors (if any) in freights until they have driven them away, and further by agreeing among themselves to charge the same rates of freight and to return a fixed percentage of all freight, after a certain lapse of time, to all "loyal" shippers *i.e.*, those shippers who have not shipped any goods by steamers not belonging to the Ring. Matters are so arranged that the Shipping Companies always have a portion of the returnable freight in hand. Consequently the shipper can never free himself from the Ring, even if he can find a steamer not belonging to the Ring which is willing to carry his goods, except by submitting to a sacrifice. Unless a very large shipper, he cannot charter an entire vessel. He cannot, as a rule, afford to lose his rebates; and so in this way he is permanently tied to the Ring. Even if the rate of freight has been changed while the Deferred Rebate is in hand, the Conference claim to retain it if their customer ships by an outside steamer.

Strong in its monopoly, the Shipping Ring succeeds in securing the support of even the merchants to further its own ends. Not a few merchants are interested in the Conferences either directly as Principals or indirectly as Agents. Thus the British India Steam Navigation Co., Ltd., is represented at Rangoon and the Malabar ports by very influential commercial houses. These merchants are not merely naturally unwilling to oppose the Rings, but would also utilise their local

influence to prevent any organization of the forces antagonistic to the Shipping Conference.

Complaints regarding the operation and the effects of the Deferred Rebates have been made by shippers before the Imperial Shipping Committee whose report upon the system has recently been published by the Government of India. Broadly, the main contention of the complainants is that the system enables steamship Conferences to maintain a monopoly and to set limitations to the shippers' freedom of action. They point out that the ship-owners, in a Conference, tie their customers to them by means of the rebate and are thus enabled to *render it difficult for any other ship-owner to start a service in their particular trade,* and to prevent a shipper, through fear of the forfeiture of his accrued rebates, from taking advantage of any more favourable opportunity of shipment which may occur outside the regular lines. Thus, in effect, they maintain that the ship-owners are able to achieve a monopoly through which they can unduly press on their shippers.

A similar complaint has been made by the Government of the Commonwealth of Australia. The Government contends that by means of the Rebate System the lines comprised in the outward trade to Australia from the United Kingdom prevent shippers from taking advantage of the service of the Government Line in the outward trade or, in other words, that the Conference has created a monopoly which it seeks to maintain to the exclusion of the Government Line.

It is sometimes argued that the Companies forming the Conferences compete amongst them-

selves. How small is the scope for competition will be clear from the fact that the most important item of freight is fixed and outside the limit of competition. Even before the Royal Commission on Shipping Rings, the ship-owners when confronted with this question could only say "the Companies may however compete in quicker delivery and greater civility"!!

It may further be objected that if the monopoly is almost absolute, why is it that the Conference Companies do not charge any freights, however high, or impose any conditions, however harsh, on the trade. That the rates charged by the Shipping Conferences operating the Deferred Rebate System, are relatively high as compared with those charged by Shipping Companies operating in a free market, will be seen at a glance from the following table submitted to the Imperial Shipping Committee:—

BOMBAY-UNITED KINGDOM TRADE AS COMPARED WITH CALCUTTA-UNITED KINGDOM TRADE.

The figures compare the rates from Bombay where no Rebate System exists and from Calcutta where it has been introduced since May, 1919:—

	Bombay.	*Calcutta.*
1st December, 1920	.. 56*s.* 3*d.**	115*s.*
15th December, 1920	.. 43*s.* 3*d.**	115*s.*
3rd January, 1921	.. 31*s.* 3*d.**	85*s.*
15th January, 1921	.. 31*s.* 3*d.*	70*s.*
1st February, 1921	.. 31*s.* 3*d.*	70*s.*
15th February, 1921	.. 31*s.* 3*d.*	55*s.*
1st March, 1921	.. 31*s.* 3*d.*	55*s.*

*The actual quoted freights are 45*s.*, 35*s.*, 25*s.*, but these relate to the ton of 16 cwts. or 40 cubic feet, and they have therefore been increased by 25 per cent to equate them with the Calcutta freights on the basis of 20 cwts. or 50 cubic feet to the ton.

The voyage from Bombay took four weeks as against five weeks from Calcutta, and therefore it was urged that the Calcutta rate should only exceed the Bombay rate which was regarded as being governed by the world freight market by a quarter, quite apart from terminals. The pre-war rates were 15*s*. from Bombay and 20*s*. from Calcutta.

But a monopolist, whatever his strength, has his limitations and like a ruling tyrant must sport, in his own interests, the role of a benevolent despot. That is the key to the character of a Shipping Ring. If the conditions imposed were wholly unreasonable and the monopoly were systematically and grossly abused, the general public could, and no doubt would, eventually combine against the ring and put an end to it either by establishing rival steamers or invoking the aid of legislation. But the persons immediately affected are the merchants who buy goods in one centre and sell them in another and they can generally readily adjust their dealings to suit the rates of freight and in this way transfer the direct loss from excessive rates of freight to the producer or the consumer. Moreover, they are often rivals in trade and their interests are divergent. They cannot readily combine for such a purpose as the raising of capital to build and work a line of steamers. Were a competing line established however, the existing Companies would do their best to harrass and drive off the new line by lowering, temporarily, their rates of freight; and it is also probable that the persons who had raised the money to build up the new line or those who had subsequently purchased shares in the new Company, would very soon find it to their

advantage to join the Shipping Ring. The producers and consumers, who are really more interested in the question than the merchants, are affected only indirectly and as a whole, and they have very little power of combination for such a purpose as meeting and counteracting the combination of Shipping Rings.

Having studied the anti-social character of the shipping monopoly, based upon the Deferred Rebates, let us now turn to its advantages, if any. The advocates of the system of Shipping Rings and Deferred Rebates argue that it is positively advantageous to the community as compared with the system of unrestricted competition. The chief advantages which they claim for it are:—

1.--REGULAR SAILINGS.

If, however, we take world shipping as a whole and particularly the dates when the system of Deferred Rebates was adopted in the different trades, we find that not merely was there a sufficiently large number of steamers to guarantee regular sailings in the previous period but that the very commencement of the Shipping Rings dates from the years which saw the unexpected excess of tonnage resulting either from the over-building of ships or the increased carrying capacity and efficiency of individual vessels. The history of mechanical and other inventions which increased the efficiency of steam navigation shows that they were the causes and not the results of the establishment of Shipping Conferences. Even the most zealous supporters of the Shipping Rings appearing before the Royal Commission were not able to show that regular sailings were unknown before the Shipping Rings

were organized. Whatever little evidence that has been put before the Commission on this matter goes to show that in the case of certain ports, such as Colombo and Singapore, the services were as good and regular before the introduction of the Deferred Rebate System as they have been since.

Cases may, however, exist in which a monopoly is essential to secure a regular service. Such cases are—

(1) Where the trade is very small;

(2) Where the trade is irregular, intermittent or seasonal; and

(3) Where it is desirable to keep open an unprofitable trade route. (It may here be noted in passing that the opening of a new trade route is usually the work of the "Tramp" and that once the route is found to be profitable the ring with its organization comes along to oust the pioneer).

But even in these three cases, it is preferable to meet the particular circumstances of the trade by means of well-regulated subsidies if the evils of the Conference and the Deferred Rebate System are to be avoided.

To prove the hollowness of the argument that the Conference System enables regular sailings to be maintained, attention may be drawn to the United States of America, a country in which shipping combinations, like others, are declared

illegal. There is, however, not the slightest evidence—certainly none was put before the Royal Commission—to show that that country consequently suffers in its trade from the want of a regular service of steamers either in its coastal trade or in the Atlantic or the Pacific trade or in the trade between North and South America. What is true of the United States would be equally true of India, if opportunities were provided for new shipping concerns to participate freely in the carrying trade of the country.

As a matter of fact, witnesses examined by the Imperial Shipping Committee have stated that *the Rebate System was not necessary in order to maintain a regular, frequent and efficient service.* Such a service, to give Indian examples only, had been supplied in the Calcutta homeward trade until 1919 and still obtains as regards Bombay, without any such system. Moreover, a regular, frequent and efficient service is maintained by the Ellerman-Bucknall line between India and America without any Rebate System, which is illegal under American Law. This service is regularly supported by the shippers who are satisfied with it and with the rates.

Strange as it may seem, at first sight, the existence of the Shipping Rings results as a matter of fact, in the available tonnage being reduced as new competing lines are not allowed to be started. As to regularity, the services provided by the Conferences are very regular only when they are bound by mail contracts. It is, otherwise, not unusual even for them to blank sailings when a sufficient cargo is

not forthcoming. Merchants at all the Indian ports could give many an example of such procedure by the existing Conference Companies. When regular sailings are provided, they are the results not of the Conference System but of the demands made by modern trade, which, there is reason to believe, will insist upon and get regular sailings even if all the Conferences in the world were abolished altogether.

It is, moreover, worthy of notice that even the much vaunted regularity of service, in practice usually means regularity between certain large ports only and either the entire cessation of services to other ports or the inconvenience and expense of effecting transhipment at the ports of call. One of the reasons why the minor ports on the Indian coast remain undeveloped is that the monopolistic Shipping Conference can best earn huge profits by serving only the chief ports of India. The present backwardness of a large number of the ports in this country is a very strong argument in favour of small local shipping enterprises whose activities have so far been thwarted by the monopolistic combine. In this connection attention may aptly be drawn to a speech delivered last year by Mr. K. Venkata Reddy Naidu, Minister in the Government of Madras. Adducing reasons for the industrial backwardness of Madras and the decay of the Madras ports he is reported to have said "On the East coast there was a time when people traded with Java, Borneo, the Straits Settlements and even with China. But that was when native sailing crafts were available. These sailing crafts, not being available now and having had to depend

upon steamships and steamships not being manufactured in this country, we have had to depend on western shipping."

2.—STABLE RATES OF FREIGHT.

It is sometimes pointed out as one of the main advantages of the Conference System that it enables stable rates of freights to be maintained. Such a prevention of frequent fluctuations in freight-rates is, no doubt, very useful to the merchant who, however, has to pay a price for such stability. For example, in times of serious depression it may happen that prices and wages fall and there is abundant tonnage to lift the small quantities of commodities that change hands. However, the freight-rate remains fixed at its normal level and the merchant loses the benefit which would have been his, had the ordinary economic law of demand and supply prevailed. It should, moreover, be remembered that *the normal freight is always fixed by the ship-owner to safeguard his own profits.*

3.—PROVISION OF HIGH CLASS STEAMERS.

It is, no doubt, true that the ships run by the Conferences are as a rule high class vessels with good speed but similar vessels were running before the Shipping Rings came into existence and run *even to-day in those trades which are not hampered by the activities of the Conference.* It has already been pointed out that the best vessels are those provided for the Atlantic trade which is unfettered by the Conference System.

4.—UNIFORM RATES OF FREIGHT.

It is claimed that under the Conference System ship-owners are enabled to charge the same rates to all shippers alike whether large or small. In other words, it is claimed that the system enables them to protect the "small man" from his more wealthy competitor. Uniform rates of freight, where they are maintained, doubtless provide an advantage to the small merchant and a disadvantage to the large merchant, because under a system of open competition the large merchant, dealing with large quantities, could probably ship his goods at lower rates of freight. This, however, is a custom prevailing in almost every branch of trade and business, and is not peculiar to the carrying of goods by sea. Under the competition system too, the small man gets some compensations. He may sell his goods in a place where the bigger man does not compete with him, or he may get his goods through an agent who ships a large quantity at a time and gets a reduction of freight. In any case, the importance of this portion of the question is insignificant as compared with the interests at stake when it is proposed that the most important portion of the shipping business of the world shall be carried on under a system of monopoly.

It is, moreover, argued that a Conference does not differentiate between the rich and the poor—the large and the small shipper. This indeed is, to a large extent, true. But it would be incorrect to infer that there cannot be equal treatment of all shippers in matters of freight if the Shipping Conference did not exist. Sir Stephen Demetriadi, giving evidence before the Imperial Shipping Com-

mittee on behalf of ten associations in the United Kingdom interested in the Indian trade, claimed that *in the Indian trade before the system of Deferred Rebates was introduced, there were equal rates for all shippers,* and although large shippers, by offering large quantities, could obtain a lower rate, this rate became an open rate to all and the small shipper benefitted as well.

Further, the uniformity claimed as an advantage of the Conference System, has not always been maintained. The Conference Lines give preference to Governments and Municipalities, and notwithstanding protests, to certain favoured merchants. In regard to certain classes of goods, the South African Conference have, in the past, violated the understanding that rates shall be uniform for all. The Shipping Rings are known to have given at the Straits Settlements special advantages to a certain number of firms. It is an open secret that *in the coastal rice trade of Burma, preference is shown to large shippers in respect of (1) rate of rebate; (2) period of payment; and (3) facility of shipment.*

Nor is it correct to say that there is always complete equality. Special terms are given for "large quantities" or "contract quantities," the amount of which is apparently left very much to the discretion of the managers. To the argument that the Conferences would, in their own interests, object to giving preferential terms only to certain customers or to certain ports, the answer is that in the past they have sometimes done so; and there is no certainty that if at any time and place their monopoly is seriously threatened, they will main-

tain uniformity of rates of freight. They are under no legal obligation to give equality and the probability is that, if their monopoly is in danger they will, if necessary, reduce their rates of freights at certain points for a longer or shorter period in order to crush competition.

As a matter of fact many examples of such preferences and discrepancies could be called from the history of the recent coasting trade of India. During September, 1921, when the Scindia Steam Navigation Company—an Indian concern—berthed a steamer at Moulmein for carrying sleepers to Calcutta at Rs. 17-8-0 net, the British India Steam Navigation Company, registered in England, and having a practical monopoly of the coastal traffic of India, circulated a letter among the shippers at that port to the effect that it was prepared to supply them space for sleepers for Calcutta at Rs. 12-8-0 less 10% rebate provided they gave an assurance in writing that they would not directly or indirectly support opposition steamers and that they would confine their shipments entirely to the steamers of the British India and the Asiatic Steam Navigation Companies, members of the Indian Coastal Conference. The shippers were also informed that if they adopted the proposal, their rebates which had been withheld owing to their supporting an Indian Company, will be paid after the expiry of twelve months.

Further, during the middle of 1922, the British India Steam Navigation Company charged Rs. 9/- per ton of rice from Rangoon to Colombo while the rate for rice from Rangoon to Bombay was only Rs. 6/- the reason being that competition between

the two Companies had, by then, extended only to the Rangoon-Bombay run. Later, as the struggle grew in scope and extent the British India Company reduced their rates of freight for almost all the Indian ports to not merely non-paying levels but to much below the cost of working with a view to drive out the indigenous company from its rightful place in the Indian Seas. It is a fruitful study in contrasts to realise that at the head of the Shipping Company which has successfully tried in the past, and which has been trying its utmost even to-day, to stifle all Indian shipping enterprise is Lord Inchcape who, prompted by a strong sense of Imperial citizenship, has, even in old age, undertaken a long voyage and an arduous task to save India from financial bankruptcy!

5.—NO CARRIAGE ON SHIP'S ACCOUNT.

The remarks as to the alleged benefit of fixed rates of freight to the small merchant are, to a great extent, equally applicable in this case. The abstention of the ship-owners from carrying cargo on their own account may be of some slight advantage to merchants as a whole, but so far as it has any effect on the producer and consumer that effect is to their disadvantage. But we do not think that there is, as a rule, any substantial sacrifice on the part of ship-owners. The combination of the business of the merchant with that of the ship-owner is (except in the case of a few articles, such as coal and cement) so difficult and inconvenient that few ship-owners would, ordinarily, carry cargo to any appreciable extent on their own account.

Sir Stephen Demetriadi, questioned by the Imperial Shipping Committee as to the possibility

of a reversion to the practice of shipment on owners' account in the event of the abolition of the Deferred Rebate System, replied that *the custom of abstaining from this practice would persist;* and stated that no attempt had been made to purchase cargo on ship's account in the Calcutta Homeward trade before the Rebate System was introduced in that trade. It may also be added that carriage of cargo on ship's account is unknown in the Bombay to U. K. Continent run though the trade from that port is not controlled by any Shipping Conference. At all events, the interests at stake in the carriage of goods on ship's account are insignificant when the shipping business of the world is proposed to be carried on by a system of monopolies.

6.—COST OF SERVICE.

It is sometimes urged that the Deferred Rebate System enables the Conference Lines to effect economies in the cost of their services. But an examination of the facts will reveal the unsound character of this argument.

It is said that there is competition amongst the various members of the Conference. Attention has already been drawn to the limited scope of such competition and what little influence it has had, has resulted in the provision of uneconomic steamers too good for the particular trade they cater for, the unfortunate merchant having to bear the cost of such an uneconomic procedure. So far then as the community in general is concerned, the Conference System is economically injurious not only in that it provides a higher class of steamers

than required but also in that it attempts to squeeze out of existence the tramp steamers that admittedly form a very large percentage of the tonnage of the world.

Another instance of *the uneconomic nature of the Conference System* is provided by the inflatation of tonnage to which it leads. As the Minority Report of the Royal Commission on Shipping Rings points out "The trade reserved for the liners of the Conference is not brought under one monopoly." It is divided into a number of local sections, each section being the subject of a separate monopoly.

"With a trade which fluctuates in magnitude from year to year, the supply of ships tends to increase to the extent which will enable it to deal with years of maximum trade and consequently it will be in excess in the lean years. When the trade is divided into two sections, each served by a separate class of steamers, the tendency will be to provide a maximum tonnage for each section and the aggregate of the two maxima will, as a rule, be in excess of the maximum that would be required if the whole trade were equally open to both classes of steamers."

"In the same way each Shipping Ring, having a monopoly of a particular section of the shipping trade, will be under a temptation to provide, and will generally provide, the number of steamers required for years of full trade in its own particular section, and will have more steamers than required for a year of lean trade in that section. The aggregate of the shipping maintained by all the Ship-

ping Rings will, therefore, exceed the aggregate that would be necessary for the same trade under a system of free competition and there is consequent waste."

"To sum up then," in the words of the Report of the Imperial Shipping Committee, "regularity of service, stability of freights and equality of treatment, together with abstention from shipment on ship-owners' account, are the solid advantages which it is claimed by the ship-owners can only be secured by the existence of Conferences and the Rebate System or some equally effective tie. On the other hand, the shippers are not unanimous in agreeing that Conferences and their ties are a necessity without which the advantages could not continue."

These alleged advantages, it should be remembered, are all in the nature of only *voluntary gifts by the Shipping Companies and not given by them under any contract enforcible at law,* so that any or all of them may be withheld, without the shippers having any legal redress.

The burden, moreover, of the uneconomic nature of some of the activities of the shipping concerns falls upon the merchant. He perhaps succeeds in shifting it either to the producer or the consumer of the commodities he deals in. The burden on the community, however, is unquestionably there and can only be removed when free competition is allowed to exist in the business of shipping. Even the majority report of the Royal Commission referred to above, though it does not approve of the abolition of the Conference, is con-

strained to remark. "It is sufficient for us to state that in our opinion the monopoly obtained by the Conferences using the system of Deferred Rebates has in certain cases enabled Conferences to make larger profits and to place rates on a higher level than they would, but for the system, have been able to do, or at the least to arrest a possible fall in profits or rates."

LAWS AS TO SHIPPING RINGS AND DEFERRED REBATES.

1.—THE UNITED STATES OF AMERICA.

The relative portion of the Shipping Act of 1916, as amended by the Merchant Marine Act of 1920, reads as under:—

SECTION 14.—That no common carrier by water shall, directly or indirectly, in respect to the transportation by water of passengers or property between a port of a State, Territory, District or possession of the United States and any other such port or a port of a foreign country—

First—Pay or allow or enter into any combination, agreement or understanding, express or implied, to pay or allow a Deferred Rebate to any shipper. The term "Deferred Rebate" in this Act 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, during both the period for which computed and the period of deferment, the shipper has complied with the terms of the rebate agreement or arrangement.

Second—Use a fighting ship either separately or in conjunction with any other carrier, through agreement or otherwise. The term "fighting ship" in this Act 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.

Third—Retaliate against any shipper by refusing or threatening to refuse space accommodations when such are available, or resort 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.

Fourth—Make any unfair or unjustly discriminatory contract with any shipper based on the volume of freight offered or unfairly treat or unjustly discriminate 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.

Any carrier who violates any provision of this section shall be guilty of a misdemeanour punishable by a fine of not more than $ 25,000 for each offence.

SECTION 14 *a*.—The Board upon its own initiative may, or upon complaint, shall, after due notice to all parties in interest and hearing, determine whether any person, not a citizen of the United States and engaged in transportation by water of passengers or property—

(1) Has violated any provision of Section 14 or

(2) Is a party to any combination, agreement or understanding, express or implied, that involves in respect to transportation of passengers or property between foreign ports, Deferred Rebates or any other unfair practice designated in Section 14, and that excludes from admission upon equal terms with all other parties thereto, a common carrier by water which is a citizen of the United States and which has applied for such admission.

If the Board determines that any such person has violated any such provision or is a party to any such combination, agreement or understanding, the Board shall thereupon certify such fact to the Secretary of Commerce. The Secretary shall thereafter refuse such person the right of entry for any ship owned or operated by him or by any carrier directly or indirectly controlled by him, into any port of the United States, or any Territory, District, or possession thereof, until the Board certifies that the violation has ceased or such combination, agreement or understanding has been terminated.

2.—AUSTRALIA.

The Australian Industries Preservation Act of 1906, modelled on the Sherman or Anti-Trust Act of the United States of America, made it an offence for any person either as principal or agent to enter into any contract or be a member of or enter "into a combination" with intent to restrain trade or commerce to the detriment of the public; or with intent to destroy or injure by means of unfair competition any Australian industry, the pre-

servation of which is advantageous to the public, having regard to the interests of producers, workers, or consumers.

Section 6 of the Act gave a wide significance to "unfair competition." Unless the contrary was shown, it included a case in which "the defendant with respect to any goods or services which are the subject of the competition, gives, offers, or promises to any person any rebate, refund, discount, or reward upon condition that that person deals, or in consideration of that person having dealt, with the defendant to the exclusion of other persons dealing in similar goods or services."

This Act has since been consolidated and amended into the "Australian Industries Preservation Act 1906-10" under which shipping rebates are definitely made illegal. This prohibition of rebates applies to all trades outward from Australia.

3.—UNION OF SOUTH AFRICA.

The South African Government passed, in 1911, the Post Office Administration and Shipping Combinations Discouragement Act which attacked the system of Deferred Rebates through the medium of the mail contract. It provides that the Governor-General shall not enter into any ocean mail contract with any person who gives any rebate upon condition of the exclusive shipment of goods by vessels of particular lines.

4.—FRANCE.

In France there was in former times much legislation against *accaparement,* similar to that in

England against forestalling and regrating. The present law is chiefly contained in Articles 419 and 420 of the Penal Code. According to the former, all those who "by false or calumnious reports "spread by design in the community, by offers of "prices over the prices which the vendors them- "selves ask, by union or combination on the part "of the chief holders (détenteurs) of the same mer- "chandise or commodity, not to sell or to sell only "at a certain price, or whatever fraudulent ways "or means shall have effected a rise or fall of the "price of merchandise or securities, above or be- "neath the price which would have been determined "by the natural and free competition of trade, are "punishable with imprisonment of one month to "one year, and a fine of 500 to 2,000 francs."

Article 420 imposes severer punishment if these operations have relation to grain, flour, farinaceous substances, bread, wine, or other liquor. It was the intention of the framers of the code to punish not merely those who resorted to *moyens frauduleux;* the alteration of prices operated by combination was itself an offence.

"The effect of the cases," says Sir John Macdonell "appears to be that any combination as to carriage of goods which tends to produce a monopoly to the detriment of others is within Article 419 (Dalloz, 1901, Partie 2, 150)."

5.—AUSTRIA.

The law of April 7, 1870, declares that "agree- "ments of persons engaged in industry with the "purpose of raising the price of a commodity to

"the disadvantage of the public have no legal ope-
"ration." (See Political Science Quarterly xx., p. 21).

6.—GERMANY.

Section 826 of the German Civil Code, enacting that "any person who in a manner *contra bonos mores* inflicts damage upon another is bound to compensate such other in respect of such damage," bears upon Shipping Rings and Deferred Rebates.

Under this Section the Courts have wide discretion, and may hold to be invalid agreements which are contrary to what right-minded people think fair; discretion which enables the Court to interfere where there is oppressive conduct or where there is a monopoly; *vide* the judgment of the Reichsgericht in Blumenthal *v.* Deutsche Australische S. S. Co.

"Even the exercise of a mere formal right is affected by Article 826, if damage to others is thereby intentionally caused in a manner contrary to public morality. The Judge is to derive his standard from the conception of public morality from the prevailing popular consciousness, the sense of right on the part of all those whose ideas are equitable and just.....With this must not be confounded a business practice which has actually been adopted, but which may possibly be an abuse rather than a custom."

"The economic requirement that those trades which are indispensable for the general welfare or business intercourse should not refuse their services to anybody, carries with it also, if evolved into

a legal requirement, an obligation with respect to the conditions of the contract. A compulsion to effect transports obliges the contractor who publicly offers to the public his services under certain conditions to apply the same standard to the parties interested who are dependent upon him; it denies to him the right to exclude arbitrarily or for dishonest reasons any single party from the conditions of transport otherwise offered to the public. A proceeding of the latter kind, however, may where compulsory duty does not exist, present itself as an act offending against public morality. According to the ideas of decency and honesty in trade prevailing among us, also the conduct of a contractor for transports who excludes a single individual or group of individuals from the tariffs generally announced to the public is considered as an offence against public morality, if it takes place for the purpose of unfair competition. It would constitute dishonest competition if in the present case the defendants tried to cause damage to parties connected with their competitors by exceptional tariffs solely for the purpose of dislodging or crushing competition inconvenient to them."

INDIAN OPINIONS UPON SHIPPING RINGS AND DEFERRED REBATES.

The following questions were circulated by the "Royal Commission on Shipping Rings" among various Government Officials and commercial bodies in India. The replies received thereto are also given below:—

QUESTIONS.

1. Are you aware of any combination, agreement, or understanding among Shipping Companies carrying merchandise:—

(a) between ports in India, or

(b) between ports in India and ports in the United Kingdom, or

other ports in the British Empire, or

(c) between ports in India and foreign countries?

If so, what is the nature of such combination, agreement, or understanding?

2. To what extent, if any, have shipping combinations tended to raise or maintain freights and passenger rates. In particular, have they tended to raise or maintain freights on goods carried:—

(a) between ports in India, or

(b) between ports in India and ports in the United Kingdom, or ports in another part of the British Empire, or

(c) between ports in India and foreign countries?

3. Are you aware of any cases in which open or tacit combination among Shipping Companies has driven off independent lines or reduced competition by forcing such lines to adhere to a Conference or ring of ship-owners or to a common tariff? If so, please state the circumstances.

4. Are you aware of any instances of British Shipping Companies carrying foreign goods at lower rates than British or Indian goods, and if so, under what circumstances?

5. Have any shipping combinations or companies, to your knowledge, practised the granting of rebates or Deferred Rebates to shippers? Have they otherwise granted preference to any shippers or classes of shippers? If so, please state the circumstances and conditions under which such rebates and preferences are granted.

6. Has the policy of Shipping Conferences or combinations, or the effect of shipping agreement or understandings, tended to fetter traders in the free choice of sea carriage, and if so, to what extent?

7. Have combinations of, or co-operations by, Shipping Companies been productive of any beneficial results to British or Indian trade during recent years by securing stability of rates or services, or in any other way?

ANSWERS.

No. 12265, dated Calcutta, the 18th March, 1907.

From—L. F. MORSHEAD, Esq., I.C.S., Collector of Customs, Calcutta.

To—The Secretary to the Government of Bengal,
Marine Department.

Your letter No. 433 Marine of the 21st February, on the subject of Shipping Rings.

2. I have the honour to enclose a report and answers to the questions contained in the enclosure to your letter so far as I have been able to obtain information on the subject. My information has been collected from individuals connected with the Shipping Lines, as checked by enquiries from others connected with exporting firms. It must not be regarded as complete or authoritative, but only as representing the views of the individuals that I have been able to consult. These gentlemen, although prepared to make general statements, were not very willing to give specific instances which might disclose their business.

QUESTION No. 1.—The combinations I have heard of are the following:—

(a) Amongst Shipping Companies carrying merchandise between ports in India:—

Between the British India Steam Navigation Company and the Asiatic Steam Navigation Company.

(b) Aamongst Shipping Companies carrying merchandise between ports in India and other ports in the British Empire:—

(1) Between the British India Steam Navigation Company and Messrs. Archibald Currie's Australian and Indian Line (Agents, Octavius Steel & Co.);

(2) Between Messrs. Apcar & Co., and the Indo-China Steam Navigation Company (Agents, Jardine, Skinner & Co.), in respect of their China steamers sailing to Hong Kong and the Straits;

(3) Between the British India Steam Navigation Company and Messrs. Bullard and King's Natal Line of Steamers (Agents, Anderson, Wright & Co.);

(4) It is stated that the Bibby Line (Liverpool to Rangoon) would like to initiate a regular service from Calcutta to the United Kingdom, but that if they did, the P. & O. Company would retaliate by running their steamers to Rangoon. It is not known whether this is a written or only a tacit understanding.

(c) Amongst Shipping Companies carrying merchandise between ports in India and Foreign countries:—

(1) Between the Bucknall Steamships Line and the Hansa Line when carrying cargo to America (Agents for both, Messrs. Graham & Co.). On this American run the Steamers from either Line sail indiscriminately as the "American and Indian" Line.

(2) Between the Hamburg-American Line sailing to Germany and the Hansa

Line. (It is not clear what the Hamburg-American Line is. Apparently Messrs. Graham & Co., are the Agents for both).

It is not clear what the nature of the combinations or understanding between these Lines of steamers are. The Asiatic Steam Navigation Company is debarred from taking freight to Akyab. *In return the British India Company is said to allow the Asiatic a rate of 4 annas a ton for every ton of cargo carried by the British India to that port.* As evidence of this statement, I find that the British India Company carry cargo from Akyab to Calcutta and on to Chittagong, whereas such cargo might be carried by the Asiatic Steam Navigation Company from Akyab to Chittagong direct.

It is possibly a part of the arrangement between the British India and the Asiatic Companies that the British India should leave the Calcutta-Java trade, as it does, to the Asiatic Line.

The British India and Messrs. Archibald Currie's Line are said to have agreed upon a fixed rate to last until June, 1907 , with the *object of killing the competition of other Lines.* As evidence of this, I may mention that while gunnies are carried to Colombo for 13s. 4d. per ton, they are carried from Calcutta to Australia for 12s. 6d. per ton.

Messrs. Apcar & Co. and Jardine Skinner & Co. work upon a yearly arrangement.

Messrs. Bullard and King work on rates fixed from the 1st January to the 30th June in agreement with the British India.

Beyond this, I have no information as to the nature of any particular agreements. It should be observed, however, that the Liners' Conference, to which all the leading Lines belong, is in a measure a large combination, because members of the Conference meet weekly to discuss freight prospects and fix rates according to the market. They practically control rates as between Calcutta and the United Kingdom. They are influenced by the freight markets of the whole world.

QUESTION No. 2.—The representatives of shipping firms consulted argued that combinations maintain fair trading rates, and are a convenience to the mercantile community, because a more regular service is provided by Lines operating in combination as well as less variable rates of freight.

The representative of exporting firms consulted agreed that the general effect of the Liners' Conference and of individual combinations was to keep rates steady, and to prevent them falling to so low a point as they otherwise would do in a dull season. Some months ago trade was dull, and there was a fall to about 15s. a ton to London. Rates were maintained at that figure by the Liners' Conference refusing to take freight at anything lower, although for some time steamers were leaving this port almost empty. It is not thought, so far as Calcutta is concerned, that the Liners' Conference operates to restrict the tonnage available, because whenever there is more cargo to deal with than the regular Liners can manage, they themselves charter tramp steamers, or steamers from other Lines to carry the surplus.

QUESTION No. 3.—See the case mentioned in 1 *(b)* (4).

The Hansa Line are said to have been squeezed out of the South African trade when they attempted to gain a share in it by the combination concerned (see 1 (b) (3)), dropping rates to starvation point, although the Hansa Line steamers were better than those of combination.

On the other hand, a Dutch Line (I cannot ascertain name) has obtained a footing in the Calcutta-Java trade, and has been able to come to a working arrangement with the British India and Asiatic Combination, owing, it is believed, to the strong position in Java of the Dutch Company.

A Line called the "Commonwealth" Line (Agents, Graham & Co.) are said to have been driven out of competition in the Indo-Australian trade owing to the British India and Messrs. Archibald Currie's combination reducing freight to starvation point.

In spite of the British India and Messrs. Bullard and King's Combination, Messrs. Andrew Weir & Co., are said to be placing an occasional opposition steamer on the South African Line.

The British India and Asiatic Combination is not free from competition in the coasting trade. (See the case of the Bengal Steam Navigation Company of Rangoon mentioned below.)

QUESTION No. 4.—The shipping firms' representatives stated that there were no cases of the kind specified in this question, but it is believed that in course of a dispute last year between the P. & O.

and the Hansa Line, the former were offering especially favourable terms to Antwerp shippers. More, however, would be known about this dispute in the United Kingdom than here.

QUESTION No. 5.—Almost all the Lines mentioned in the answers to the preceding questions appear to give either preferential rates or Deferred Rebates to the shippers who favour them with their sole support. The exact circumstances and conditions under which the preferential rates or rebates are granted are not known.

QUESTION No. 6.—The following instances have been cited of cases in which the policy of the combinations has tended to fetter shippers in the free choice of carriage.

The Bengal Steam Navigation Company of Rangoon are making a bid for the Rangoon-Chittagong-Calcutta traffic. The Company is a Swadeshi one, with a capital of 45 lakhs, and has at present two steamers plying and two more building. Fares lower than those of the British India and Asiatic Combination are accepted, and the Line is obtaining freight from Rangoon but not from Calcutta. This is believed to be due to fact that the combination mentioned has its principal Calcutta shippers under a three years' agreement, upon which a 10 per cent. rebate depends.*

Another case is that of a firm with Offices at Calcutta and Rangoon who recently received intimation from its Rangoon Office that they had orders for rice for Durban for February-March

* Now defunct.

shipment following a business in the previous months, provided that freight could be arranged in Calcutta by Messrs. Andrew Weir and Co.'s Steamer (Agents, Messrs. Turner, Morrison & Co.) But the firm were unable to ship by this steamer under pain of losing their rebate from Messrs. Bullard and King's Line, combination could not give Bullard and King's combination could not give freight by any of their steamers, and the business was consequently lost.

QUESTION No. 7.—See 2 above. I am unable to quote any special instances.

L. F. MORSHEAD,
Collector of Customs.

Calcutta, March 16th, 1907.

Letter No. 2038-6-G., dated Madras, the 1st March, 1907.

From—Commander G. J. BAUGT, R.I.M., Officiating Presidency Port Officer.

To—The Chief Secretary to Government of Madras.

With reference to endorsement of Government No. 228-1-Marine, dated 18th February, 1907, I have the honour to give below answers to questions of the Royal Commission on Shipping Rings *seriatim*:—

Question 1.—I understand that there are combinations among Shipping Companies carrying choice cargo (b) "between ports in India and other ports in the 'British Empire,' " and *(c)* "between ports in India and 'foreign countries' "

I herewith attach copy of an agreement now in vogue between the British Steam Navigation Company, Limited, and the Clan Line Company from Madras, and since the date of this agreement, *i.e.*, 14th May, 1890, two more Lines have joined this combine, *i.e*, the Peninsular and Oriental and Ellerman's and the agreement will show the nature of such combination.

Question 2.—I am informed that Messrs. Best & Co., Madras, with others, strove to break the Shipping Ring on account of the high rate prevailing at the time, and that in 1901, they loaded a tramp steamer at Pondicherry with Madras choice cargo and oil-seeds at rate inclusive of railway freight much below the rates which prevailed then in Madras or the rates from Calcutta. Since that date, the rates, I understand, have maintained a lower level; but these rates, many say, are still too high on account of these combinations which prevent outside steamers from entering the port of Madras.

It evidently required the introduction of this tramp steamer or competition by Messrs. Best & Co., to bring the rates down, but the Conference at once included Pondicherry and so shut out competition in that quarter. Therefore the only conclusion I can arrive at is, that *shipping combinations have tended to, and do tend to, either raise or maintain freight* on goods carried in both cases of *(b)* and *(c)* under Question 2.

Regarding passenger rates, I am informed that a combination does exist between the Asiatic Steam Navigation Company, Limited, and the Bri-

tish India Steam Navigation Company, Limited, between *(a)* "ports in India," but I can give no further information on this point.

Question 3.—No.

Question 4.—No.

Question 5.—The attached agreement will furnish the answer required in the first part of this question; I am unable to reply to the latter part

Question 6.—I think it quite possible that in some cases exports may be decreased and that combinations would tend to detrimentally affect trade.

Question 7.—I am unable to answer.

No. 114, dated the 15th April 1907.

From—The Chairman, Port Commissioners, Chittagong.

To—The Secretary to the Government of Eastern Bengal and Assam in the Public Works Department, Marine Branch.

In accordance with the request contained in your letter No. 237-T., dated the 26th February, 1907, I have the honour to submit herewith Resolution No. 20 passed by the Port Commissioners at their meeting held on the 10th instant, together with the Sub-Committee's report therein referred to, showing the views of the Port Commissioners upon the various questions put regarding the operations of Shipping Rings and Conferences.

2. As was to be expected from the constitution of this Port Trust, there is a difference of opinion. It is, I believe, the case that the local agents of mer-

cantile firms here are not made fully acquainted with the proceedings and views of the managing agents of shipping firms in Calcutta and London. This probably accounts for the replies given by the majority of the Sub-Committee upon the subject.

3. It is, however, notorious that there are understandings between most of the Shipping Companies which enter this port to quote the same rates of freight. The British India Steam Navigation Company and the Asiatic Steam Navigation Company, after a war of rates some years back, have since been working on the same tariff for freights in the coasting trade in which they are engaged. During the last two years another company with headquarters in Rangoon, called the Bengal Steam Navigation Company* has been running between that port and this, and freights have in consequence been considerably reduced. For these two seasons there has been a great demand for freights for rice from Rangoon, and the new company is understood to have done fairly well. *I have seen many signs that the other companies, viz., the British India Navigation Company and the Asiatic Steam Navigation Company, desire to get rid of this rival.* It remains to be seen whether it will be able to maintain a separate existence; coasting freights here are very high (*e.g.*, Rs. 6 a ton from Calcutta), and the local agents of the steamer companies make very considerable profits besides on landing and other charges.

4. As regards the Calcutta Liners Conference, I beg to invite attention to the letter of the

* Since defunct.

Bengal Chamber of Commerce, to the Calcutta Port Commissioners quoted in the Chittagong Port Commissioners' Resolution No. 11 of the 4th May last. From this it will be seen that *the Calcutta firms have been trying "to organise" in concert with the Liners Conference, the Hansa Line, and other "responsible steamship owners" for the stoppage of the direct trade between this port and the United Kingdom, "so as to capture" the ocean trade of Eastern Bengal and not to allow Chittagong to "rise in status over that of a coasting port."* The first attempt to do this by the reduction of the Calcutta river dues on trade to and from Chittagong was defeated, but there will probably be many other attempts to carry out the policy declared above. There have, I gather, been arrangements as to freight between this port and the United Kingdom with the Clan Line, which has the preference of a jetty berth here, and with other lines which occasionally come in here. The freights are frequently altered, and I have had much difficulty in ascertaining what they are. From the port to the United Kingdom they should be less than from Calcutta on account of the very much lower pilotage charges here, but usually they are either the same or higher. In my opinion *the diversion of trade from its natural seaport, (which in our case is aimed at by Calcutta) is detrimental to the interests of the country.*

Dated Calcutta, the 19th March, 1907.

From—Messrs. G. Atherton & Co., Calcutta.

To—The Secretary, Bengal Chamber of Commerce, Calcutta.

With reference to your Circular dated 16th March, we have to say that in our opinion, the existence of Shipping Conference is of great benefit to exporting merchants in England, importing merchants in India, and the native importing community in India in that same tends to secure stability of rates both of freight and of prices of commodities.

No doubt rates of freight are kept thereby at a slightly higher level than would otherwise be the case, but not so much as to adversely affect the price of goods; this is governed by the fact that a limit to the amount freights may be raised is found naturally as soon as they become unreasonably high, for shipments then immediately commerce to be made by Non-Conference Liners secretly or underhandedly, whereas at a reasonable difference between cutting rates and Conference rates shippers are content to work on one and a sound basis.

We might add that the importing native dealers in India for the most part are fully aware that Deferred Rebates are paid by ship-owners in England and they frequently receive same from the merchant and as frequently do not, in the latter cases it being known that the merchant retains such rebates as part of his profit.

Dated Calcutta, the 3rd April, 1907.

From—Messrs. Ralli Brothers, Calcutta.

To—The Secretary, Bengal Chamber of Commerce, Calcutta.

With reference to your Circular No. 122 in connection with the Royal Commission that has

been appointed to enquire into the question of Shipping Rings or Conferences the number of such combinations in Calcutta being well known to your Chamber, we need only say, in a general way, as regards their effect on trade that so long as the rates of freight are not inflated but are kept at a reasonable and steady figure the existence of the Rings or Conferences is not, we consider, injurious to trade.

In our opinion, however, the system that obtains in certain Rings of "deferring" payment of six months' rebate for another six months is not conducive to healthy competition for the carriage of cargo, and necessarily reacts on trade.

Dated Calcutta, the 3rd April, 1907.

From—Messrs. Birkmyre Brothers, Calcutta.

To—The Secretary, Bengal Chamber of Commerce, Calcutta.

With reference to your Circular letter No. 122, 1907 of the 16th instant, inviting replies to the questions raised by the Chairman of the Royal Commission on Shipping Rings or Conferences, we beg to submit the following:—

Question No. 1.—We propose to deal with agreements among Shipping Companies carrying merchandise, as defined in clause (*c*), *i.e.*, between ports in India and Foreign countries of which we have had special experience. As particular instances of such combinations, we would cite those controlling the trade in gunnies from Calcutta to River Plate ports and to ports on the West-Coast of South America. Dealing with the first named, the trade in gunnies to River Plate ports is a large

and rapidly developing one, the annual tonnage carried being now, say, 40,000 to 50,000 tons. Up to 1905 this merchandise was carried almost entirely by Conference Liners *via* Suez Canal with transhipment at London or Liverpool, at 42s. 6d. per ton. The Liners' Conference enjoyed practically a monopoly of the trade, having only occasional chartered steamers of small tonnage in competition with them. The Eastern Steam Trade Conference (commonly called the Liners' Conference) comprises the following Lines running between Calcutta and the United Kingdom, *viz.*, P. & O., British India, City Clan, Harrison and Brocklebank Lines. At the rate of freight named, the trade was naturally a very lucrative one, and in 1905 two direct Lines came into the field, in competition, the "Lion" and Weir's Lines. *The Liners' Conference immediately started a war of rates, and gradually reduced the rate as low as 7s. 6d. to 5s. per ton. They were successful in "freezing out" the Lion Line and in coming to an arrangement with Weir's Lines to control the trade jointly, fixing the rate of freight to begin with, at 27s. 6d. per ton with a rebate of 5s. per ton.* The new conditions have been in existence since June, 1906, or about nine months, during which short period the rate has been advanced to 37s. 6d., less 5s.

The same combination (the Liners' Conference and Weir's) has extended its operations to the West Coast Ports of South America, to which ports by the terrorism of the Rebate System, they are endeavouring to monopolise the carrying trade. *They have forbidden shippers, under penalty of forfeiture of their accumulated rebates, to ship by direct*

chartered steamer to the ports named, thus shutting out "tramp" steamers by an alternative liner route *via* Hong Kong. The rate *via* Hong Kong is 40s. against 55s. by the combined Liners' Conference and Weir's Line, but shippers are debarred from taking advantage of this cheaper freight.

QUESTION NOS. 2, 3, 5, AND 6.—As relating to clause *(c)* (between ports in India and Foreign countries) are dealt with in our reply to Question No. 1.

QUESTION No. 4.—We have no comments to offer.

QUESTION No. 7.—We do not consider that combinations of Shipping Companies have been productive of beneficial results to Indian trade, and *we especially condemn the Rebate System, by which accumulated rebates are payable to shippers after a long period, in some cases after twelve months, during which time the shipper is liable to have his entire accumulated rebate forfeited for any breach of his agreements with the Shipping Combination and is thereby fettered in his choice of the cheapest means of transit for his goods.* We are not so much opposed to a tariff rate of freight, as we recognize that this may be necessary to maintain rates of freight on a profitable basis and to secure stability, but we think it should be made illegal for Shipping Combinations to retain or forfeit accumulated rebates or bonus.

We may here mention that *the Australian Commonwealth passed a Bill abolishing the Rebate System,* but the Australian Liners between Cal-

cutta and Australia (Currie and British India Lines) have met this by accepting cargo in Calcutta at a certain tariff rate, on condition that shippers give their entire support to them, under a penalty of paying an additional 5s. per ton on all cargo shipped by the Currie or British India Lines for any infringement of the agreement.

No. 29-J., dated Calcutta, the 15th April, 1907.
From—H. M. HAYWOOD, ESQ., Jute Fabrics Shippers' Association, Calcutta.

To—The Secretary, Bengal Chamber of Commerce, Calcutta.

I am directed to refer to your Circular No. 122, 1907, dated 16th March, publishing, for remarks, official correspondence in connection with the Commission that has been appointed to enquire into the working of Shipping Rings or Conferences, and their effect upon trade.

2. In reference thereto I am directed to state that the Committee are of opinion that these Rings or Conferences have their uses in ensuring fixed rates and a more or less regular supply of tonnage, and are therefore beneficial to trade, provided always that they operate in such a manner as will permit of periodic competition as a means of keeping rates from ruling above a fair level. *But the growing tendency on the part of Shipping Combinations to defer payment of rebates for long periods militates against this desideratum, and, the Committee are strongly of opinion, is injurious to trade.*

No. 116-T., dated Calcutta, the 19th April, 1907.

From—D. K. CONNISON, ESQ., Assistant Secretary, Calcutta Baled Jute Association, Calcutta.

To—The Secretary, Bengal Chamber of Commerce, Calcutta.

I am directed to refer to your Circular, No. 122, 1907, dated 16th March, publishing, for remarks, official correspondence in connection with the Commission that has been appointed to enquire into the working of Shipping Rings or Conferences, and their effect upon trade.

2. The Committee have been afforded an opportunity of perusing the letter addressed to you by the Committee of the Jute Fabrics Shipper's Association in this connection, and I am directed to say that the Committee of this Association fully concur with the views therein expressed.

1, Lall Bazar Street, Calcutta, the 18th June, 1907.

From—MESSRS. MOLL SCHUTTE & Co., Calcutta.

To—The Secretary, Bengal Chamber of Commerce, Calcutta.

Referring to your Circular No. 273-1907, dated 13th instant, re. Shipping Combines, we beg to hand you, enclosed a report of our experience on this subject.

Calcutta, the 17th June, 1907.

All our remarks refer to Gunnies only.

Question 1.—We are aware of the existence of

shipping combines or agreements between Calcutta and the following ports:—

(*a*) . . . . .

(*b*) Penang, Singapore, Hong Kong.

(*c*) Siam, Indo-China, Chinese Ports, Dutch Indies.

Question 2.—The Apcar, Indo-China, British India, Java-Bengal. } Lines are granting a rebate

of 10 per cent. on the Singapore rates to all shippers loyal to their lines, thus preventing shippers from shipping by other lines, and maintaining in our opinion very high rates, *i.e.*, Rs. 25 per ton to the Dutch Indies, Siam and Indo-China, and Rs. 22 to Shanghai.

Question 3.—When the Java-Bengal Line first made their appearance, they offered space freely at Rs. 11 and Rs. 12, respectively, to Java Ports nett, against Rs. 25 per cent. Rs. 1-12—Rs. 23-4 nett charged by the combine, and actually entered into contracts thereat. They have now joined the combine and are not allowed to charge less than the combine rates. Considering that the rates of other lines are 25 shillings to United Kingdom and 26-3 shillings to Hamburg fixed rates without any rebates, in spite of Suez Canal dues and the longer route, the above rates must be called very high. The "Indian and African Line" are shipping gunnies to South Africa at 10 shillings nett, against 22 shillings charged by the "Natal Direct Line of

Steamers" (Agents, Anderson, Wright & Co.) In spite of the enormous difference between these two rates, *we know from experience that some South African buyers are compelled to have their goods shipped by the dearer route, so as not to lose rebates on previous shipments.*

Question 5—The following lines are known to us to grant rebates or Special rates of freight to loyal shippers:—

(1)—"British India"—Special rates to Burma to contract shippers.

(2)—"Natal Direct Line"—rebate of 10 per cent.

(3)—"Apcar Line"
(4)—"Indo-China Line"
(5)—"British India"
} Rebates to Eastern Ports.

(6)—"Austrian Lloyd"—Rs. 2 rebate to Levant Ports.

(7)—"Weir Line"
(8)—"Calcutta Liners Conference"
} Rebates to River Plate Ports.

(9)—"Bucknall Line"
(10)—"Hansa-American Line"
} 10 per cent rebate on freights to America.

We further understand that the Apcar Line are granting *a special rebate to a very few firms for Singapore,* thereby enabling these firms to completely monopolize the gunny business to that port, and at the same time placing them in an unduly advantageous position for Siam, Hong Kong, and Java Ports.

Question 6.—7.—In our opinion the policy of liners' combinations have had a very beneficial effect in cases where the combine have fixed rates and do *not* grant rebates to any one. This is the case to United Kingdom and Continental ports. Those lines, however, who grant rebates, or even Special rates, in our opinion compel traders to ship by their lines only, thus undoubtedly influencing freights. They are also in the habit of retaining rebates for nine months or longer, considering them forfeited in case of shippers not remaining loyal.

Dated Bombay, the 24th May, 1907.

From—J. B. LESLIE-ROGERS, ESQ., Secretary, the Mill-owners' Association, Bombay.

To—The Under Secretary to the Government of Bombay, Revenue Department.

In reply to your letter No. 2077, dated 26th February, 1907, I have the honour to enclose answers by my Committee to the questions propounded by the Royal Commission on Shipping Rings, with reference to the inquiry that has been instituted on the subject of the operations of such "rings" or "conferences" in India.

Q. 1. A.—Yes. The Conference Lines of steamers, composed of the Peninsular and Oriental, the Rubattino, the Austrian Lloyds, the Nippon Yusen Kaisha, between Bombay, the Straits Settlements, Hong Kong and China. The nature of the understanding is to compel exporters to confine shipments to the

above lines of steamers only, and thus *keep up the rate of freight to the disadvantage of shippers.*

(b.) A.—The Conference composed of the Clan Line, Anchor Line, and the Ellerman Line, undertakes to bring piece-goods from Glasgow, Liverpool, Birkenhead, and Manchester to India at a fixed rate of freight, and to allow certain rebate per ton on all such goods to the Piece-Goods Merchants' Association.

Q. 2. A.—The combination has certainly tended to keep up the rates of freight on goods carried between Bombay, the Straits Settlements, Hong Kong, and China, while it has checked freights being increased between ports in the United Kingdom and India.

Q. 3. A.—Yes. Some years ago the Austrian Lloyds came into the China Line, but soon entered into a combination with the Peninsular and Oriental, and then the Rubattino Line had to do the same, and also the Nippon Yusen Kaisha. The latest instance occurred in 1895. The Nippon Yusen Kaisha and the late Mr. J. N. Tata began two lines of steamers in 1893. The combine of the Peninsular and Oriental, Austrian Lloyds, and Rubattino proved too powerful for the new lines and *Mr.*

Tata had to retire, and the Nippon Yusen Kaisha had to join the combine.

Q. 4. A.—Bombay exporters to the Straits Settlements, Hong Kong, and China are penalized in favour of shipments of cotton to Japan—a longer distance with a lesser rate of freight than to China. This is due to Japanese influence and combination, and the Nippon Line threatening to break the ring in case of less favoured treatment.

Q. 5. A.—Yes. The above companies do give Deferred Rebates with the object of tying the hands of shippers, who forfeit the rebates in case of shipping by any other lines. The rebates are given after four to six months, in order to bind the shippers and not to allow them to ship at lower rates by other steamers, or to charter any steamers.

Q. 6. A.—It has certainly tended to fetter traders in thē free choice of sea carriage altogether as regards shippers from Bombay to the Straits, Hong Kong, and China, to the disadvantage of the traders and thē total volume of trade.

Q. 7. A.—Wē do not think any beneficial results have been proved by combination. Freight rates have been advanced and the Far Eastern Com-

bine threaten to advance the freight still further.

Letter dated 2nd April, 1907.

From—H. BROADBENT, ESQ., Barrister-at-Law, Acting Secretary, Rangoon Trades' Association.

To—W. F. RICE, ESQ., I.C.S., Secretary to the Government of Burma.

My Committee have considered your Commerce Department No. 875/4-S-19 of the 20th February, 1907, and the accompanying list of questions on the subject of Shipping Rings or Conferences and their effect on Indian trade.

They are of opinion that such rings or conferences undoubtedly exist among Shipping Companies carrying merchandise between Indian ports, and Indian, Foreign and British ports, and that *the general effect of the same is detrimental to trade.*

They feel, however, that their information on the subject is limited and does not warrant them in expressing more than the opinion given above, or in attempting the answer in detail any of the questions appended to your letter.

No. 4460, dated Royal Exchange Building, Calcutta the 30th April, 1907.

From—D. K. CUNNISON, Assistant Secretary, Indian Tea Association, Calcutta.

To—The Secretary to the Bengal Chamber of Commerce, Calcutta.

I am directed by the General Committee of the Indian Tea Association to acknowledge receipt of

your Circular No. 122, 1907, dated 16th March., covering papers with reference to the Royal Commission which has been appointed to enquire into the operations of Shipping Rings or Conferences and their effect on British and Colonial trade. You request that information on the points raised by the Chairman of the Commission in his letter of 22nd January, 1907, to the Under Secretary of State for India should be put before your Committee, and the General Committee accordingly submit the following observations obtained from the information at their disposal, and summarising practically the whole history of the relations between the Calcutta Liners' Conference and this Association.

2. The Indian Tea Association was formed at a meeting of tea proprietors held on the 18th May, 1881. The files of correspondence for the earlier years of its existence are unfortunately not available, and for those years the annual reports have had to be relied on exclusively. The first reference to the question of the rates for tea shipped from Calcutta is in the report for the year 1886. At that time the freight rate for tea was apparently fixed for the whole season by the Liners' Conference, the rate for season 1885-6 being 50s. per ton. But the rate for cereals and other produce, shipped by the same steamers, fell as low as 23s. 9d. per ton on one occasion, and varied between that figure and 30s. So great a disparity between the rates for choice and rough cargo was protested against by the General Committee, who saw no reason why it should be maintained, and in support of their contention they pointed out that during the preceding year the rate for rough cargo was 20s. to 25s. per ton, and the tea

rate was 35s. to 40s. The Calcutta Conference referred the protest to the London Conference, but in the meantime the principal tea houses took action in support of the Association. They pointed out that during 1886 the tea rate was considerably higher in proportion to the rates for rough cargo than it had been during the years 1883, 1884 and 1885, and they protested not only against this increase, but also against the system of fixing an arbitrary rate, irrespective of the fluctuations of the freight market. They further referred to the rebate which the agents of steamers were prepared to allow to all firms shipping their teas exclusively by such steamers, protesting strongly against the principle involved in such a conditional concession, and expressing the opinion that all shippers should be placed on the same terms.

3. In reply to these representations the Conference increased the rebate 5s., thus bringing the rate down to 45s., and in a letter, dated 19th August 1886, to the Association, the Honorary Secretary expressed the belief that this reduction quite satisfied shippers; as regards the rebate he observed that all over the world it was a common practice to allow such a concession to those shippers who might find it to their advantage to restrict their shipments to certain lines of steamers. Later in the same year, the General Committee drew the attention of the Conference to a rumour that it was proposed to withhold a portion of the refund of 5s.; they objected to such a procedure, maintaining that the refund was payable in full on completion of the season's shipments and on receipt of the shippers' claims. At the same time they suggested that for

the following season the Conference should fix a rate without any refund, for regular shippers, but apparently no practical concession was obtained.

4. The matter, however, appears to have been taken up strongly in London by a Special Sub-Committee of the Indian Tea Districts' Association. Negotiations between the Sub-Committee and the Conference were carried on, and it was ascertained that the most favourable arrangement which the Conference would make was a rate of 50s. per ton with a rebate of 7s. 6d. to those who shipped exclusively by their lines. This rate was calculated on the basis of the rate of freight for rough cargo being 30s., and a proviso was made that should the rough cargo rate increase, the tea rate would go up also; on the other hand, however, no concession was to be made in the event of the rate for rough cargo falling below 30s. To an arrangement so obviously one-sided as this, so strong exception was taken that an attempt was made to found a line of steamers to carry the teas of all shippers for a term of three years, ending with the season of 1889. An agreement was accordingly entered into between individual shippers and Messrs. James Hay & Sons of Glasgow, under which a sufficient number of steamers (of the highest class at Lloyd's) were to be provided. The rate of freight was to be a net rate of 40s. for the entire period of three years, irrespective of war or any other contingency arising in the interval, but as a matter of fact for teas landed at Butler's Wharf, the rate was in practice reduced to 38s. 8d. on account of certain savings in charges which that wharf was able to effect. Special provision was also made for the carriage, at low

rates, of persons connected with the business of tea shippers. In reply to the action of shippers in concluding an arrangement with the Planters' Line, as the new line was called, the Conference dropped their rate which was then 50s. per ton, less a rebate of 5s., payment of which was deferred for some eight months—to 30s. per ton, with the avowed purpose of crushing the former out of existence, and this they succeeded in doing, thereby regaining their monopoly.

5. From the Report of the Association for the year ended 29th February, 1892, when the subject is next mentioned, it seems that an agreement had been entered into between the Conference and tea shippers, some short time after the withdrawal of the Planter's Line. This agreement expired on the 29th February, 1892, and the Conference, prior to its expiration, claimed the right to withhold the rebate, payable on the 1st August, 1892, from all shippers who discontinued exclusive shipments by Conference steamers. This led to negotiations, and on the 18th February, 1892, a formal offer was made by the Liners to shippers, to the effect that, for a period of twelve months from the 24th February, 1892, the Liners would accept a fixed rate of 45s. per ton, subject to a rebate of 5s. payable to those shippers who confined their shipments exclusively to Conference steamers. At a special meeting of the General Committee, held on the 25th February, 1892, this offer was considered, and the opinion was expressed that a rate of 40s. without any rebate would be more acceptable. The Committee recognised, however, that the Conference might reasonably claim a penalty for any breach of

the agreement, and on that account they raised no objection to the rebate. But as to the mode of its adjustment, they took very strong exception. Clause 4 of the agreement was as follows:—

> "A rebate of five shillings per ton for exclu-
> "sive support to the Conference stea-
> "mers, such exclusive support having
> "been continued to the time of payment
> "of the rebate, will be allowed and paid
> "in London at the same periods after
> "the same intervals, and subject to the
> "same conditions as the rebates at pre-
> "sent allowed by the Calcutta Confer-
> "ence to shippers giving the steamers
> "of the Conference their exclusive sup-
> "port, that is to say, the rebate will be
> "calculated and paid on periods of four
> "months, the rebate in respect of the
> "period from April to July, both inclu-
> "sive becoming payable as soon after the
> "1st December as the accounts can be
> "made up; the period from August to
> "November becoming payable on, or as
> "soon as may be, after the 1st April
> "following; and the period from
> "December to March, both inclusive, be-
> "coming payable on, or as soon as may
> "be, after the 1st August following, the
> "rebate in respect of each period being
> "conditional on exclusive support by
> "the parties claiming the same respec-
> "tively being continued to the date
> "*when rebate becomes payable*, or if
> "this agreement be put an end to by the

"parties of the first part at an earlier
"date then to such earlier date."

By this clause shippers were thus bound to ship their teas exclusively by the Liner steamers for some months after the expiry of the agreement under pain of forfeiting the rebate in respect of the period from December to March, which did not become payable till 1st August. The Committee, therefore, unanimously resolved that they could not consider any new agreement until the Liners' Conference would consent to pay the rebate in full due to all exclusive shippers for the period ending 29th February, 1908, and to cancel the objectionable conditions of clause 4 in the old agreement (quoted above). The Committee also decided that in any new agreement it should be distinctly declared that agents would have full power to ship by other than the Liner steamers, if so ordered by directors or proprietors of certain companies or concerns without prejudice to their claims for rebate on exclusive shipments made by other companies or concerns on the steamers of the Liners' Conference.

6. These resolutions were duly intimated to the Liners' Conference, and in the following May, a reply was received to the effect that after reference to London the associated Liners were opposed to any alteration in the then existing Rebate System. But in the meantime the Brocklebank Line had in April, begun booking tea at a net rate of 35s. per ton—the Conference rate at the same time being 45s., less the Deferred Rebate of 5s., and the Anchor Line, a Member of the Conference had withdrawn from the Conference and reduced their rate for tea to 35s. also. Counsel's opinion was taken

by the Committee on the question of whether shippers were not entitled to ship by the steamers of that Line up to 1st August, 1892, without running the risk of forfeiting the rebate for the period from December to March, under the agreement with the Conference. Counsel's opinion was in favour of shippers, on the ground that the "Anchor" Line was one of the constituent members of the Conference and one of the Lines by which shippers had contracted to ship, and they were, therefore, fulfilling the conditions of the agreement in using this Line. Counsel also expressed the opinion that by the withdrawal of this Line, the Conference, as contemplated by the agreement, no longer existed, and consequently shippers were relieved from their obligations without prejudice to their right to the rebate up to the 29th of February. As indicated above, the main objection to the rebate clause lay in it being so worded as to prevent shippers withdrawing at the termination of the agreement, except by forfeiture of the rebate for the last four months; this made it impossible for any equitable agreement to be made, as shippers would practically be tied down by the old agreement in perpetuity.

7. At a joint meeting of the Indian Tea Association and the Calcutta Tea Traders' Association, held on the 6th June, 1892, the following resolution was passed, with only one dissentient:—

> "That this meeting protests against the manner in which the Liners have pressed "the rebate clause after the termination "of the agreement, and considers it is "best in the interests of the Indian tea

> "trade that no monopoly be given for "carrying tea to any Line or Lines of "Steamers."

This resolution was forwarded to the Secretary of the Liners' Conference, with the remark that Agents representing 83 out of 109 million lbs. of tea had signified their approval of it. On the 30th July, 1892, a second joint meeting of the two Associations was held, and the following resolution was passed, with only one dissentient, and also communicated to the Secretary of the Liners' Conference:—

> "That this meeting confirms the resolution "passed at the meeting of the 6th June "last, and agrees not to restrict their "shipments of tea to the steamers call- "ing themselves the Conference Liners, "and refuses to recognise any rebate "clause on shipping orders or bills of "lading after 1st August."

On the 3rd August, the Secretary of the Liners' Conference wrote that the Conference had decided to abolish the rebate clause, and that the rate had been fixed for the present at 25s. per ton. In October, tea shippers applied to the Secretary of the Conference Liners in London for the usual rebate of 5s. per ton on their shipments, but he replied "the Secretary to the Conference in Calcutta "advises that you have given support to the opposi- "tion, instead of confining shipments to the Con- "ference steamers."

8. About the end of 1892, the Brocklebank Line apparently joined the Conference, and early in 1893 this association endeavoured to arrange an agreement for one year with the Conference at a

rate of 10s. per ton over the rate for rough cargo with a minimum of 25s. per ton. The Liners, however, offered a three years' agreement at 15s. per ton over the rough cargo rate, with a minimum of 35s., a rebate of 5s. per ton to be payable after six months. The association, however, at a meeting of 29th January, 1893, adhered to their proposal of 10s. per ton over rough cargo rates refused the rebate, but offered to raise the minimum to 30s. for a three years' agreement. *As the Liners refused to concede these terms, negotiations were subsequently opened with the representatives of two lines of steamers to start a new line, to be called the "India Mutual Line,"* and an agreement with this line was entered into on behalf of shippers. The rate for three years—commencing May, 1894—under this agreement was to be 7s. 6d. per ton over the rough cargo rate, with a minimum of 27s. 6d. and no rebates.

9. In October, 1893, whilst negotiations between the new line and shippers were going on, the Conference increased their rebate 7s. 6d. per ton, and for May, 1894, when the first steamer of the new line was to sail, the Conference rate was fixed at 37s. 6d. with a rebate of 12s. 6d. per ton, making a net rate of 25s., the rate for the new line being 27s. 6d. *This action by the Conference naturally attracted a large quantity of shipment of tea, with the result that the new line found the rates unremunerative,* and in February, 1895, they expressed their willingness to cancel the contract in respect of the remaining two years. After consideration, shippers agreed to release the India Mutual Line, having meantime arranged what they

considered to be satisfactory terms with the Liners' Conference. These terms were embodied in an agreement, dated 22nd April, 1895, and terminable on two years' notice, but not before 31st March, 1900. *Inter alia,* this agreement contained the following clause:—

> "The rate of freight to be paid by the parties of the second part to the parties of the first part for the carriage of his or their tea shall be ascertained and determined in the following manner:—
>
> > "The rate of freight for each month shall be fixed in Calcutta on the first of the month, or as soon thereafter as may be reasonably possible, on the basis of the average or mean of the rate for jute, linseed and wheat from 'Calcutta to London during the previous month, as shown by the quotations taken from any recognised Weekly Freight Circular, with the addition of 15s. per ton of 50 cubic feet, subject to *a discount of 5s. per ton to be deducted when freight is paid.*"

The point which mainly influenced shippers in making this new arrangement was that at last the Liners' Conference conceded the vexed point of Deferred Rebates, which had previously meant the locking up of rebates of 5s. to 12s. 6d. per ton for six to eight months as a guarantee that no tea would be shipped in other than Conference steamers.

10. For the earlier period of the currency of this agreement it appears to have worked fairly well, but after a time complaints began to be made in regard to certain abuses that had, it was alleged,

crept in. The Conference Liners were accused of artificially inflating the rates to London for rough cargo jute, linseed and wheat—so that they ceased to be a correct freight indicator, with the result that the tea had to pay a much higher rate than it should have done. In ascertaining the rates for tea monthly, the figures taken were not those at which actual business had been done, but those of the quotations from any recognised Weekly Freight Circular, and this system was not considered satisfactory by shippers who had signed the agreement on the understanding that the rate of freight on tea would automatically rise and fall in sympathy with the open freight market, while it was believed that the rates of freight payable on jute, linseed and wheat would constitute a correct and sensitive indicator of the homeward freight position. In consequence of the dissatisfaction of shippers, suggestions were frequently made that the agreement with the Liners' Conference should be terminated.

11. In 1902, the matter was brought prominently before the Association by a member, who pointed out that in the beginning of February of that year, a large freight business was done at 17s. 6d. for rice and wheat, with option 20s. for linseed and jute. Quotations were then raised to 20s. for rice and wheat and 22s. 6d. for linseed and jute, and remained at those figures till the end of March. Little business was done at this advance, and from an examination of the rough cargo engagements it was estimated that the average rate earned by the Conference on shipments made during the months of February and March, were: rice and wheat 18s. 3d. and linseed and jute 20s. 9d., whereas the tea

rate for March and April was based on rates 1s. 9d. higher. Instead, therefore, of paying 10s. above the rough cargo rate, tea shipped during those months had really to pay 11s. 9d. over it.

12. It was further pointed out that in the summer months of that year (1902) the rates for jute, linseed and wheat had been pitched so high by the Conference that shippers of cargo other than tea had found it advantageous to charter outside tonnage for the London market. Those charters were concluded in London, so that the rates of freight were not disclosed in Calcutta. But particulars in regard to one steamer chartered for the United Kingdom and the Continent and despatched to London in August were known. The rates for a full assortment of cargo at charterers' option were 15s. 6d. for one port or 16s. 3d. for two ports. Her cargo consisted of the following:—

788	tons jute etc., which at Conference rate 17s. 6d. would be			689 10 0
1,083	tons linseed, which at Conference rate 17s. 6d. would be			947 12 6
100	tons lac., etc., which at Conference rate 26s. 3d. would be			131 5 0
or 1,971	tons, giving a total freight as per Conference rates of			1,768 7 6
		£.	s.	d.
	= per ton	0	18	0
	whereas the vessel was chartered at ..	0	16	3
	The saving on Conference rates being thus per ton	0	1	9

Or, if the steamer had been despatched to London only, the saving would have been per ton 2s. 6d.

13. In order to make up for the cargo lost by this chartering of outside tonnage, the Conference—whilst still maintaining their unduly high rates for London—booked cargo for ports such as Dundee, Hull, Hamburg, Antwerp, etc., to be transhipped at London and forwarded to destination at the expense of the Conference. The through rate of freight for such cargo had formerly been the London rate, plus cost of transhipment and forwarding to port of destination; but at this time, though the cost of forwarding to the outport might be five or six shillings per ton, the exclusive or through rate had been gradually lowered until it had come down to the bare London rate or even lower. Jute was actually being booked by the Conference liners through the Dundee *via* London at 16s. 3d. whilst the rate of jute to London was kept up at 17s. 6d. and the tea rate calculated accordingly.

14. The following conclusions may accordingly be deduced—(1) that as a consequence of the Conference quotations being too high, outside steamers were tempted to come in and take London cargo; and (2) that to make up for this loss the Conference, at considerable loss to themselves, had to take transhipment cargo which ordinarily would have been taken in outside tonnage at no such sacrifice. The unrecouped transhipping expense incurred by the Conference on through cargo shipped in July and August was estimated at no less than £4,000. It may have been a great deal more, but in any case no such outlay need have been in-

curred had the Conference adapted their rates to the true market level. This £4,000 was practically the price paid by the Conference for bolstering up their London rates, and that sum was taken from tea shippers, the rates for whose tea were kept up by the unnatural inflation of the London rates for rough cargo.

15. A careful calculation was made to ascertain what the rates for jute, linseed and wheat would have been during July and August in the absence of artificial causes, and to assist in determining these a survey was made of the homeward freight market since 1895. It was found that from May to November, 1896, and from May to August, 1897, the general conditions were similar to those prevailing during these two months. From June to December, 1896, and from June to September, 1897, the tea rate averaged rather less than 27s. 6d. as against 31s. 3d. for July and August, 1902. On these figures, therefore, the tea was being charged 3s. 9d. too high, and on the estimated quantity of tea shipped to London, including Chittagong shipments which were governed by Calcutta rates, during the two months of July and August, the excess charged on shippers worked out £7,500. Even taking the overcharge at only 2s. 6d. per ton, the sum is £5,000 as against £4,000 loss by the Conference in transhipment mentioned in paragraph 14. It was the view of shippers that the action of the Conference, in producing this inflation of the tea rate by basing it on artificial rough cargo rates, was entirely unwarranted.

16. During the years following 1902, the feelings of dissatisfaction at the methods of the Con-

ference continued; but it was not until 1905 that the notice of the termination of the agreement of 1895 was definitely given by tea shippers. The fact that two years' notice of termination was essential was largely responsible for the delay in notice being given, as it was always hoped that a compromise giving reasonable conditions to both shippers and liners would be arrived at. Negotiations, however, were unsatisfactory, and in September, 1905, notice of termination was given.

17. The present position of the matter is that a new agreement has been arranged under which the liners agree to a rate of 32s. 6d. per ton with a "discount" of 5s., to be deducted when the freight is paid. The agreement takes effect from 7th September, 1907, and is terminable by six months' notice on either side, but, in any case, not before 6th September, 1910. The use of the word "discount" in no way removes the objection which shippers have to any form of rebate: they desire a net rate, which the Conference will not concede. For all purposes the "discount" offered is precisely the same as the former "rebate," the difference being merely verbal.

18. In conclusion, I am directed by the General Committee to ask that this outline of the tea shippers' relations with the Shipping Ring which controls the Calcutta freight market may be passed on to Government for transmission to the Royal Commission. The shippers have been successful in inducing the Conference to agree to a fixed rate per ton for tea, so that the inflation of the rate by artificially raising that for rough cargo, will, for

the time being at least, be impossible, and they have seen the Deferred Rebate abolished. I am now desired to express the *hope that the Royal Commission may recommend that measures should be taken to put a stop to the whole system of rebates.*

INDIAN SHIPPING SERIES.

PAMPHLETS.

Evidence submitted to the Indian Fiscal Commission by the Scindia Steam Navigation Co., Ltd. of Bombay.

Written Statement submitted to the Indian Mercantile Marine Committee by the Scindia Steam Navigation Co., Ltd. of Bombay.

State Aid to National Shipping.

The Deferred Rebate System.

Indian Mercantile Marine.

AN ADDRESS

BY

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