

7
LOK SABHA

THE MERCHANT SHIPPING BILL, 1958

(Report of the Joint Committee)

PRESENTED ON THE 21ST AUGUST, 1958



**LOK SABHA SECRETARIAT
NEW DELHI**

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THE MERCHANT SHIPPING BILL, 1958.

Composition of the Joint Committee

Lok Sabha

1. Shri Upendranath Barman—*Chairman*
2. Shrimati Ila Palchoudhuri
3. Shri Liladhar Kotoki
4. Shri S. Osman Ali Khan
5. Shri Harish Chandra Mathur
6. Shri Anirudha Sinha
7. Shri Ram Dhani Das
8. Shri Ghanshyamlal Oza
9. Shri Raghunath Singh
10. Shri Nardeo Snatak
11. Shri Tekur Subrahmanyam
12. Shri K. P. Kuttikrishnan Nair
13. Shri K. Periaswami Gounder
14. Shri Dinesh Pratap Singh
15. Shri Mool Chand Jain
- *16. Dr. Y. S. Parmar
17. Shri N. M. Wadiwa
18. Shri Radha Raman
19. Bakshi Abdul Rashid
20. Shri Shivram Rango Rane
21. Shri Raj Bahadur
22. Shri Hirendra Nath Mukerjee
23. Shri K. T. K. Tangamani
24. Shri Rajendra Singh
25. Shri Nath Pai
26. Shri Ram Sewak Yadav
27. Shri S. A. Matin

*Ceased to be member of the Committee with effect from the 31st July, 1958 on the dismissal by the Judicial Commissioner of appeal from the order of the Election Tribunal dated the 28th April, 1958, declaring his election to Lok Sabha void.

(ii)

28. Shri Aurobindo Ghosal
29. Shri Badakumar Pratap Ganga Deb Bamra
- †30. Shri S. K. Patil

Rajya Sabha

31. Shri Janardhan Rao Desai
32. Shri Akbar Ali Khan
33. Shri T. V. Kamalaswamy
34. Shrimati Savitry Devi Nigam
35. Shri J. S. Bisht
36. Shri M. D. Tumpalliwar
37. Shri Jethalal Harikrishna Joshi
38. Dr. Raghbir Singh
39. Giani Zail Singh
40. Shri Vijay Singh
41. Shri R. S. Doogar
42. Shri Abdur Rezzak Khan
43. Shri V. K. Dhage
44. Shri R. P. Sinha
45. Dr. P. J. Thomas.

DRAFTSMEN

Shri S. K. Hiranandani, *Additional Draftsman, Ministry of Law.*

Shri N. Swaminathan, *Deputy Draftsman, Ministry of Law.*

SECRETARIAT

Shri N. N. Mallya—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

†Appointed on the 15th April, 1958 vice Shri Lal Bahadur Shastri resigned.

REPORT OF THE JOINT COMMITTEE

1. The Chairman of the Joint Committee to which the Bill* to amend and consolidate the law relating to Merchant Shipping was referred, having been authorised to submit the report on their behalf, present this their Report, with the Bill as amended by the Committee annexed thereto.

2. The Bill was introduced in the Lok Sabha on the 14th February, 1958. The motion for reference of the Bill to a Joint Committee of the Houses (*vide* Appendix I) was moved in the Lok Sabha by Shri Lal Bahadur Shastri on the 25th February, 1958 and was discussed and adopted on the same day.

3. The Rajya Sabha discussed and concurred in the said motion on the 27th February, 1958 (*Vide* Appendix II).

4. The message from Rajya Sabha was read out in the Lok Sabha on the 3rd March, 1958.

5. The Committee held 12 sittings in all.

6. The first sitting of the Committee was held on the 22nd April, 1958 to draw up a programme of work. The Committee at this sitting also decided to hear evidence of associations and individuals desirous of presenting their suggestions or views before the Committee. The Chairman was authorised to decide, after examining the memoranda submitted by them, as to which of the associations or individuals might be called to tender oral evidence before the Committee.

7. At their first and the second sittings held on the 22nd April, and the 7th July, 1958, respectively, the Committee decided to visit marine establishments at Bombay, Calcutta and Madras for an on-the-spot study, subject to the necessary permission being given by the Speaker.

8. The Committee, however, visited the marine establishments at Bombay and Calcutta only since they felt that the establishments which existed in Madras were of the same type which they would visit in Bombay and Calcutta. The Committee, were accordingly in Bombay from the 13th to the 15th July, 1958 and in Calcutta from the 17th to the 19th July, 1958.

*Published in Part II, Section 2 of the Gazette of India, Extraordinary, dated the 14th February, 1958.

9. During their study tour at Bombay and Calcutta, the Committee particularly visited the Mercantile Marine Department Offices, Seamen's Employment Offices, training colleges and ships intended for imparting training to engineers, navigators and seamen, shipping offices, seamen's welfare centres and seamen's hostels. The Committee studied the working of these establishments and also questioned in detail the authorities concerned and seamen whom they met for eliciting first-hand information on the provisions of the Bill.

10. At their second, third, fourth, fifth and sixth sittings, held on 7th, 8th, 9th, 10th and 21st July, 1958 respectively, the Committee heard the evidence tendered by 8 associations and 2 individuals specified in Appendix III.

11. The Committee have decided to lay the evidence tendered before them on the Table of the House *in extenso*.

12. The Committee considered the Bill clause by clause at their sittings held from the 22nd to 26th July, 1958.

13. 63 Memoranda/representations on the Bill were received by the Committee from different associations/individuals as mentioned in Appendix IV.

14. The Report of the Committee was to be presented by the 11th August, 1958. The Committee were granted extension of time by Lok Sabha on the 11th August, 1958 upto the 21st August, 1958.

15. The Committee considered and adopted the Report on the 18th August, 1958.

16. The observations of the Committee with regard to the principal changes proposed in the Bill are detailed in the succeeding paragraphs.

17. *Long Title*.—The Committee consider that the Long Title of the Bill should be enlarged to specify the main purposes of this legislation which in course of their deliberations have been widened to cover developmental aspects of Indian Shipping.

The Long Title has, therefore, been recast accordingly.

18. *Clause 3*.—

(1) *Items* (2), (13), (18), (42), (51) and (56) [*Original Items* (2), (12), (17), (40), (49) and (54)].

The amendment made in item (13) enlarges the definition of a foreign-going ship so as to include ships which are employed in trading between ports or places outside India.

The other amendments are either clarificatory or consequential.

(2) *Item (16)*—[*Original Item (15)*].

The Committee feel that the definition of "home-trade ship" should also include a ship trading between India and Burma and Maldivé Islands.

The Item has been amended accordingly.

(3) *Items (7) and (31)*—(*New Items*).—

In view of incorporation of new clauses in the Bill making special provisions for the protection of seamen in respect of litigation (New clauses 178—183), it was felt necessary to define "Court" and "proceeding" in relation to these new clauses. The same have now been defined in the new items.

19. *Clauses 4, 5 and 6 (New Clauses)*.—The Committee consider that provision should be made for the constitution of a National Shipping Board to advise the Central Government on matters relating to Indian Shipping including the development thereof and on such other matters arising out of the Bill when enacted which the Central Government may refer to it for advice.

The new clauses have been inserted accordingly.

20. *Clause 13 (Original Clause 10)*.—The changes made in the clause are clarificatory in nature.

21. *Clauses 14—19 (New Clauses)*.—The Minister of Transport brought to the notice of the Committee that a non-lapsable Shipping Development Fund as a proforma account was intended to be created. The Committee feel that this opportunity should be taken to give this Fund a statutory basis which might be entrusted for administration to a Corporate Body to be called the Shipping Development Fund Committee. The Fund will be utilised for giving loans and financial assistance in any other form to Shipping Companies for the acquisition and maintenance of ships.

The new clauses have been inserted accordingly.

22. *Clause 21 (Original Clause 12)*.—This being the most controversial clause in the Bill as it related to the question of foreign participation in Indian Shipping, the Committee have given careful thought to it and after hearing the varying viewpoints of

Shipowners and others who appeared before the Committee and also that of the Transport Minister, the Committee feel that:—

- (i) where a ship is owned by an individual the entire ownership shall vest in Indian hands, and
- (ii) where a ship is owned by a company, it should satisfy the following requirements:—
 - (a) the principal place of business of the company should be in India;
 - (b) at least seventy-five per cent. of the share capital of the company is held by citizens of India;
 - (c) not less than three-fourths of the total number of Directors of the company are citizens of India;
 - (d) the Chairman of the Board of Directors and the Managing Director, if any, are citizens of India;
 - (e) the Managing Agents, if any, of the company are citizens of India or in any case where a company is the Managing Agent, the company satisfies the requirements specified in sub-paras (a), (b), (c) and (d).

The clause has been amended accordingly.

23. *Clause 22 (Original Clause 13).*—The Committee feel that the provisions in the original clause 447(3) (f) that a ship already registered under a previous enactment which is being repealed by this Bill should be deemed to have been registered under the present Bill, should be transferred to this Clause.

A proviso has accordingly been added to sub-clause (2).

24. *Clause 25 (Original Clause 16).*—For the sake of administrative convenience and in view of the introduction of the decimal system in our country it was felt that “property in a ship” should be divided into ten shares instead of sixty-four shares as provided originally in the Bill.

The clause has been amended accordingly.

25. *Clause 45 (Original Clause 36).*—*Sub-clause (2).*—Consequential amendments have been made in this sub-clause.

26. *Clause 89 (Original Clause 80).*—The Committee feel that the duty imposed on a shipping master under clause 132 to enquire into and decide disputes arising out of the agreement between the master, owner or agent and any of the crew should be included in this clause.

New Item (d) has been inserted accordingly.

27. *Clauses 99 and 100 (Original Clauses 90 and 91).*—The amendments made in the clause are of a drafting nature.

28. *Clause 101 (Original Clause 92).*—*Sub-clause (3).*—The Committee feel that the decision of the Indian Consular Officer should be binding on the parties until the ship returns to a port in India at which the seaman concerned in the dispute is to be discharged.

The sub-clause has been amended accordingly.

The other amendment is clarificatory in nature.

29. *Clause 109 (Original Clause 100).*—The amendment made in item (c) is of a drafting nature.

30. *Clause 114 (Original Clause 105).*—*Sub-clause (3).*—The proviso to this sub-clause has been recast to make the intention clear.

31. *Clause 128 (Original Clause 119).*—The amendment made in the clause is of a drafting nature.

32. *Clause 129 (Original Clause 120).*—In order to help seamen, the Committee are of the view that wages should be paid to them within four days after discharge instead of five days.

The clause has been amended accordingly.

33. *Clause 132 (Original Clause 123).*—*Sub-clause (1).*—The Committee are of the view that minor disputes between the master, owner or agent of a ship and any of the crew where the amount of the dispute is less than three hundred rupees should be submitted to the Shipping Master for decision at the instance of either of the parties, and in other cases consent of both the parties should be necessary.

Sub-clause (1) has been amended accordingly.

34. *Clause 134 (Original Clause 125).*—The amendment made in the clause is of a drafting nature.

35. *Clause 141 (Original Clause 132).*—To bring it in line with the actual practice in this respect followed by the Shipping Industry in India, the Committee are of the view that the compensation for the loss of effects in the case of a seaman employed on a foreign-going ship should be equivalent to three months' wages.

Item (ii) of sub-clause 1 (a) has been amended accordingly.

36. *Original Clause 134.*—The Committee feel that it would entail undue hardship and will also involve double penalty, if the

seaman were to bear the cost of proceedings where he is convicted of an offence.

The clause has therefore been omitted.

37. *Clause 168 (Original Clause 160).*—*Sub-clause (5).*—The amendment made in the sub-clause follows the language used in the analogous provisions of section 250 of the Code of Criminal Procedure, 1898.

38. *Clause 173 (Original Clause 165).*—The Committee feel that the number of persons on board a ship which would make the appointment of a Medical Officer compulsory should be left to be prescribed by the Rules framed by the Central Government instead of being laid down in the Bill.

The clause has been amended accordingly.

39. *Clause 174 (Original Clause 166).*—*Sub-clause (4).*—The Committee are of the view that expenses incurred by an owner on the burial or crimation of a seaman etc. should not be deducted from the wages due to him.

The sub-clause has been amended accordingly.

40. *Clauses 178—183 (New Clauses).*—The new clauses regarding special provisions for the protection of seamen in respect of litigation are based on the provisions of the Merchant Seamen (Litigation) Act, 1946 (Act No. XXI of 1946) which is being repealed.

41. *Clause 184 (Original Clause 170).*—The amendment made in the clause is clarificatory in nature.

42. *Clause 196 (Original Clause 182).*—The Committee are of the view that the entry of offences to be made in the official logs should, in addition to the mate, be also signed by one of the crew.

They further feel that not only the offender should be furnished with a copy of the entry but the entry should also be read over to him.

The clause has been amended accordingly.

43. *Clause 202 (Original Clause 188).*—*New sub-clause (3).*—The Committee feel that proceeds of all fines received from seamen should be utilised for their welfare in such a manner as the Central Government may direct.

The new sub-clause has therefore been inserted.

44. *Clause 213 (Original Clause 199).*—*Sub-clause (2).*—Certain consequential amendments have been made in this sub-clause.

45. *Clause 218 (Original clause 204).*—The amendment made in the clause is clarificatory in nature.

46. *Clause 233 (Original clause 219).*—*Original item (d) of sub-clause (1).*—The Committee feel that provisions contained in original item (d) of sub-clause (1) are covered by the original item (e) of the sub-clause.

The item has therefore, been omitted.

47. *Clause 259 (Original clause 245).*—The Committee feel that the crew of the ship ought to be counted along with the passengers for the purposes of providing Medical Officer and Attendants on unberthed passenger ships.

The Clause has been amended accordingly.

48. *Clause 307 (Original clause 293).*—*Item (c) of sub-clause (2).*—This item has been amended to bring it in line with the provisions of clause 302 (Original clause 288) relating to Exemption Certificate.

49. *Clause 319 (Original clause 305).*—*Sub-clause (1).*—The amendment made in the clause is of a drafting nature.

50. *Clause 321 (Original clause 307).*—*Original sub-clause (2).*—The sub-clause has been omitted as being unnecessary in view of sub-clause (3) of clause 316.

51. *Clause 408 (Original clause 394).*—The Committee feel that from the administrative point of view it is not necessary to provide for an opportunity of making a representation in the case of a refusal of a licence.

The clause has been amended accordingly.

52. *Clause 417 (Original clause 403).*—The amendment made in Item (b) of sub-clause (4) is clarificatory in nature.

53. *Clause 420 (Original clause 406).*—*Sub-clause (1).*—The words “of the passengers” have been omitted as being unnecessarily restrictive.

54. *Clause 435 (Original clause 421).*—*Item (j) of sub-clause (2).*—The amendment made in the item is of a drafting nature.

55. *Clause 436 (Original clause 422).*—A new sub-clause has been added to provide punishment for offences for which no specific penalty is provided.

(x)

56. *Clause 456 (Original clause 442).*—The Committee feel that it would be sufficient if an exemption is granted by an order instead of by a notification. The exemption clause has been widened to empower the Central Government to grant exemption in respect of the personnel of a ship in suitable cases.

Sub-clause (1) has, therefore, been amended accordingly.

57. *Clause 458 (Original clause 444).*—The Committee consider that a more serious punishment should be imposed for breach of rules or regulations framed under clause 331 which pertains to carriage of dangerous goods in ships.

The clause has been amended accordingly.

58. *Clause 459 (Original clause 445).*—*Sub-clause (1).*—The amendment widens the scope of the clause to enable the Central Government to appoint an advisory committee for any purpose connected with the Bill.

59. *Clause 461 (Original clause 447).*—*Items (f) and (g) of sub-clause (3).*—The amendments made in the items are clarificatory or consequential.

60. *The Schedule.*—The provisions contained in the Merchant Seamen (Litigation) Act, 1946 have been incorporated in clauses 178 to 183. The Committee, therefore, feel that it is no longer necessary to keep this Act on the Statute Book.

The Lascars Act, 1823 of U. K. in so far as it was applicable to India is also being repealed as it would become redundant on the enforcement of this Bill.

The Schedule has, therefore, been amended accordingly.

61. In respect of the amendments making provision for the formation of the National Shipping Board and the Shipping Development Fund, the recommendation of the President under Article 117(3) of the Constitution has been obtained.

62. The Joint Committee recommended that the Bill as amended be passed.

NEW DELHI;
The 21st August, 1958.

UPENDRANATH BARMAN,
Chairman,
Joint Committee.

MINUTES OF DISSENT

I

The Joint Select Committee has, in general, improved upon the Bill so considerably, in regard particularly to the definition of "Indian Ship" that our note of dissent is more by way of clarification and of a desire that, especially in the matter of the Seamen's rights and amenities the report of the Committee could conceivably have gone somewhat further.

We are of the opinion that the definition of "home-trade ship" should be altered, since we learn that vessels of as much as 9,000 tons G.R.T. are already sailing on our coasts, and the quality of seamanship required in service on such ships is hardly different from that in ocean-going vessels. Perhaps in time this somewhat artificial classification between trans-continental and home-trade ships will be unnecessary. Meanwhile, steps should be taken to see that 'home-trade' personnel are enabled to heighten their qualifications as well as their status, and till there is one uniform standard of attainments required of personnel who work for days on end on the high seas, the present 'home-trade' staff should suffer neither diminution of status nor the fear of unemployment. Ways and means for this purpose require to be worked out and incorporated in the Bill.

The composition of the National Shipping Board is of more than ordinary importance, and we wish to emphasise that the representation of seamen as well as of the general public interest should be as unexceptionable as it can be.

Part V, dealing with seamen and apprentices, is a very important and welcome feature of the Bill. As seamen generally are not yet organised into unions that are strong enough to negotiate with the employers on anything like equal terms, they need statutory protection of their rights to a greater extent than many other categories of workers. There are certain matters which we shall press before Parliament. Provisions regarding hours of work, a minimum wage, eligibility to gratuity, clear apportionment of duties on board, recognition of Unions and crew committees on representative basis and similar items demand greater attention and more specific action than the Committee has been able to offer. It is in regard to these and allied matters that we propose to canvass the sympathy of Parliament.

We wish that Part XIV, which deals with penalties and procedure, is somewhat recast, so that the instances of discriminatory treatment as far as seamen are concerned can be removed. The provisions of this Part appear to be comparatively lenient as far as the laches of shipowners and masters are concerned. We wish to draw Parliament's attention to this anomaly and seek to rectify it.

The following are some instances of a lack of balance between penalties for masters and for men:

Serial Nos. 2, 9, 12, 17, 22, 23, 24, 26, 27, 31, 37, 42 (ample provision to coerce the refractory seamen but not the master), *47, 48, 49, 50, 51, 53, 57, 59* (Seamen and apprentices treated much more sternly), *90, 92, 111.*

NEW DELHI;
The 18th August, 1958.

K. T. K. TANGAMANI.
H. N. MUKERJEE.
A. R. KHAN.
AUROBINDO GHOSAL.

II

The Select Committee have decided in connection with Clause 12 relating to the definition of Indian Ship that the foreign investment will be limited to the extent of 25 per cent. and investment of Indian National will be 75 per cent. There is, however, the view that in view of our economic development and the progress we desire in the Industry of Shipping and further in view of our difficulties regarding the availability of capital and paucity of foreign exchange, it is in the national interest that foreign investment should be allowed to the extent of 40 per cent. and Indian Nationals investment should be 60 per cent. We would have suggested 51:49 per cent formula as it has been accepted by the Government in several other industries, but in view of the special conditions of the shipping industry we consider a safer formula of 40 and 60 per cent so that the national interest may be effectively safeguarded as well as the foreign investment may be given suitable encouragement.

In order to understand our point of view it is necessary to bear in mind the following three aspects of this question :—

- (i) Past history;
- (ii) Resolution of 1947;
- (iii) Present position of our capital and foreign exchange.

It is acknowledged on all hands that Indian shipping was in a prosperous condition before the advent of the British in our country. The Port of Calicut was famous for ship building. During the last 150 years, the Britisher not only discouraged Indian shipping, but through different measures, legislative and otherwise, it was

practically killed. It stands to the credit of Walchand Hirachand and Narotam Morarji that after the 1st World War in 1919, the Scindia Company was floated. But this adventure was opposed at every stage by the British vested interests. In response to a public demand a Committee was formed in 1923 by the Government of India to enquire into and report, but its recommendations were not at all implemented. Again, in 1926, the matter was taken up in the Central Assembly by Shri S. N. Haji, but this attempt was also foiled through different means. The Government of India realized at the end of the Second World War that it was a great mistake to discourage Indian shipping as the huge losses during that war had proved and they came out with a statement that the Indian shipping should be developed. A Committee under the Chairmanship of Shri C.P. Ramaswamy was appointed, which gave a report on the basis of which the 1947 Policy Resolution was formulated. Let it be clearly understood that the suffering of the shipping industry at the hands of the British shipping were the foundations of the above report and the policy resolution. It has also to be made clear that notwithstanding this resolution foreign capital investors did not come forward to take part in the Industry. It is also to be carefully noted that the target fixed by the said Committee was two million tons by the end of 1956 which was not realised as the main difficulty was about the capital and the foreign exchange. The country suffered a loss of hundreds of crores as we had to carry our oversea trade in foreign vessels. In view of this history after the independence of the country, the whole question has to be studied in a different angle, because a sovereign country can always take measures not only to safeguard its security, but also to develop its industry, which was not possible under foreign domination. In our opinion there is no basis for the apprehension that the foreign capital will prejudicially affect the progress of shipping industry in the changed conditions—this lurking apprehension is the hang-over of the British rule.

The above statement answers the objection of persons who do not want more than 25 per cent of the foreign equity capital as they are obsessed by previous hardships. In our opinion, let this matter be considered in view of the hard realities that face us today and not through sentiments or the sad events of the period of the foreign domination. In the shipping industry, the position at the time of the First Five Year Planning and the present position amply proves that we are not able to fulfil the target of 9 lakhs which was the target fixed.

And today we stand in urgent need of capital as well as foreign exchange for planning. If foreign investment is encouraged fully, it would considerably save the foreign exchange which we spend every year to the tune of 150 crores in foreign shipping and it is

necessary to meet the requirements of the fast developing trade—coastal and overseas. We are definitely of opinion that we have to take the equity capital, as the loans in the present context is difficult to obtain and, even if we get loan, they will be required for the core of the Plan. Hence in the interest of our all-round development, particularly shipping industry, we consider the formula of 60% of National capital and 40% foreign capital most suitable for the occasion. Referring to certain provisions of the Company Law which require decision in certain matters by a majority of 75 per cent of votes, it is suggested that difficulties will be created. We have considered those provisions and the other provisions that give Government certain powers under the Company Law. We are of opinion that foreigners who will come to invest money will come with the full consciousness of our laws and they will abide by the provision and do all in their power to make the industry as successful and profitable as possible. Even now, there are employees of foreign nationality in our shipping industry and they have also represented us in the shipping conferences and the evidence of experienced persons shows that they have discharged their trust creditably. We feel no reason to apprehend that with all the safeguards in the Merchant Shipping Bill and other Laws and the sovereign power and authority of our country, the persons holding forty per cent capital will not fall in line with the other shareholders to help the smooth working and progress of industry in which they are equally interested.

In view of the importance of this issue and its far-reaching consequences on the economy of our country and particularly on the development of Indian shipping industry, we are of the opinion that the proposal of the Government in the original Bill to permit cent per cent foreign capital as well as the latest proposal of the Government to allow only 25% are not in the best interests of our shipping industry, but the formula of 60% Indian capital and 40% foreign capital is best suited to this industry in the present circumstances.

NEW DELHI;
The 18th August, 1958.

AKBAR ALI KHAN

III

Indo-Foreign Ratio of Capital

The Select Committee have decided about Clause 12 relating to the definition of Indian Ship—that the foreign investment will be limited to the extent of 25 per cent and investment of Indian nationals will be 75 per cent. There is, however, the view that, in the light of our economic development and the progress we desire in

the Shipping Industry and further in view of the difficulties regarding the availability of capital and paucity of foreign exchange, it is in the national interest that foreign investment should be allowed on the basis of 60 per cent Indian Nationals and 40 per cent foreign investors. We would have suggested 51:49 per cent formula as it has been accepted by the Government in several other industries, but if a more conservative formula is desired, 60:40 should meet the requirements.

Past and Present

In order to understand our point of view it is necessary to bear in mind the following three aspects of this question:

- (i) Past history;
- (ii) Resolution of 1947;
- (iii) Present position of our capital and foreign exchange.

It is acknowledged on all hands that Indian shipping was in a prosperous condition before the advent of the British in the country. Many ports were famous for ship building. During 150 years, the Britisher not only discouraged Indian shipping, but through different measures, legislative and otherwise, it was practically killed. To the credit of Narottam Morarji and Walchand Hirachand after the first World War in 1919, the Scindia Company was floated and was opposed at every stage by the British vested interests. In 1923 a Committee was formed, but its recommendations were not implemented. Again in 1926, the matter was taken up in the Central Assembly by Shri S. N. Haji, but this attempt was also foiled through different means. Nevertheless, the Britishers felt after the end of the Second World War, that it was a great mistake to discourage Indian shipping and they came out with a statement and a planning report that the Indian shipping should be developed and a Committee under the Chairmanship of Shri C. P. Ramaswamy was appointed, which gave a report on the basis of which the 1947 Policy Resolution was formulated. Let it be clearly understood that the suffering of the shipping industry at the hands of the British shipping were the foundations of the above Report and Policy Resolution. It has also to be made clear that notwithstanding the Resolution, foreign capital investors did not come forward to take part in the Industry. It is also to be carefully noted that the target fixed by the said Committee was 2 million tons by the end of 1954, but it was not realised. The main difficulty arose about the capital and foreign exchange available and the country suffered a loss of hundreds of crores. In view of this history, after the independence of the country, the whole question has to be studied

from a different angle, because a sovereign country can always take measures not only to safeguard its security, but also to develop its industry, which was not possible under foreign domination. In our opinion, there is no basis for the apprehension that the foreign capital will prejudicially affect the progress of the shipping industry in the changed conditions.

Change with the times

The above statement answers the objection of persons who do not want more than 25 per cent of the foreign equity capital always referring to the previous history and to the 1947 Resolution. Our view is, let this matter be considered in view of the hard realities that face us today and not through sentiments or the sad history of the period of foreign domination.

First-Plan Target not fulfilled

During the first two years after the war the existing companies added a lot of tonnage to their fleet. A few new companies were started, but the process soon ceased and for some years before the promulgation of the First Five Year Plan, hardly any progress was made and but even so far the first year hardly any response was made and when progress started in the 3rd year of the plan, it was found that the amount allocated for shipping about 20 crores was not taken up and had to spill over into the Second Plan, though the Government were prepared to give loans upto 85 to 90 per cent of the cost of a ship repayable during 15 to 20 years. This delay in using the loan money resulted in the First Plan being implemented in 1958, two years after the end of the plan in 1956.

Second Plan Target unlikely to be met

For the Second Five Year Plan, various targets for shipping, varying from 15 lakhs to 10 lakhs, were put up by different parties, but owing to financial stringency, the Planning Commission laid down the target of only 900000 tons. This time, however, owing to the greater awareness about shipping and its possibilities, the total amount of 45 crores available for the Second Five Year Plan was picked up almost within a year of its announcement, but owing to the prices of tonnage having risen in the meantime and difficulties having arisen about foreign exchange, it was feared that by 1961 the target of 900000 G.R.T. will be short by 200000 G.R.T. At this stage, in September 1957, the Minister for Shipping courageously announced in the Lok Sabha that despite the Resolution of 1947, he was prepared to consider the common industrial formula of 51:49 for participation of foreign capital in Indian shipping too. The shipping interest which had not been able to fulfil the earlier target

started a campaign against foreign capital which was intensified when the bill was introduced in February, 1958. To show that there was no need for foreign capital, the earlier fear that there will be a shortage of 200000 tons was replaced by the optimistic guess that after all shipping will be able to meet the target, if the Government rendered adequate assistance. Later, as the tempo regarding participation of foreign capital grew, the shipping interests alleged that they could meet the target with a very little Government assistance and in the final phase when the Select Committee were appointed, it was argued that taking advantage of the self-financing and deferred payment arrangements, Indian shipping would be able to reach the target more or less on its own without any Government help being necessary. This move was helped by the fact that owing to economic recession the prices of tonnage had dwindled and a good opportunity presented itself for adding to Indian tonnage, but besides paucity of internal resources, the other snag was foreign exchange. Even so attempts were made to show that scrapping a few crores from here and some crores from there, the target could be met and it was boldly alleged that shipping interests were in a position to reach the target by 1961 but the wishful thinking did not end there.

Two Million Tons Target Need Change of Policy

Because, when an enquiry was made as to how they will meet by even as late as 1966, the target of 200,000 G.R.T. which was fixed in 1947 for implementation in 1954, various impracticable suggestions were put forward largely based on wishful thinking.

Fanciful Suggestions Exposed

Some fanciful suggestions have been made to enable the ship-owners to meet the targets both interim and final, the one for 900,000 G.R.T. and the other 2 million tons to be reached by 1966. They have been made not so much with a view to develop Indian shipping as particularly to avoid the use of foreign capital, even though in a minority degree the whole edifice of opposition to participation of foreign capital as suggested by us, is based upon a desire to maintain the monopoly which a few companies have created for themselves in the overseas trades of India.

(1) Firstly, it is stated that the shipping companies should be allowed to use the foreign exchange earned by them after 31st March 1956 to add to their tonnage.

Unfortunately, however, as the foreign exchange thus earned has already been accounted for in meeting the other more important

targets of the Planning Commission, particularly those falling within the Core of the Plan, it is not easy to see how this amount could be realised for adding to the shipping tonnage. Moreover, as regards the Third Five Year Plan, the foreign exchange we need is going to be so large that it is inconceivable, realistically speaking, to see how foreign exchange earned by shipping in the Third Five Year Plan would be released for the purchase of ships.

Unfortunately, the recent history of our foreign exchange position is one of continuous decline. What was bad enough when we were deliberating over the Bill has during the short interval since deteriorated even to the extent that the Government of India cannot envisage the country's foreign exchange bearing the burden even of deferred payment. The situation seems to have come to such a pass that the choice no longer lies between deferred payment for ship purchases or foreign capital participation for shipping development, because according to the latest information the choice in the future lies between developing shipping with foreign participation or going without both altogether.

In a message from New Delhi, based upon a demi-official note, published in *the Free Press Journal* of 31st July, 1958, it is stated:

"In view of the continuing foreign exchange shortage, the Government of India is now understood to be approving industrial schemes involving the import of capital goods of substantial value, only if there was foreign collaboration resulting in an inflow into India of foreign capital on a long-term basis or other arrangements were made by which the country would not have to incur foreign exchange expenditure over a period of years.

For sometime, the Government of India had been allowing the import of capital goods on a deferred payment basis. But now, in view of the worsening foreign exchange position, only deferred payment terms involving no or negligible foreign exchange expenditure are approved."

Such being the case, it follows that a ship, even a second-hand ship, the whole of the value of which consists of foreign exchange can no longer be purchased on instalment basis spread over 5-7 years, so that the scheme of paying as you earn can no longer be wholly relied upon. We would strongly urge therefore, that the percentage of foreign participation should be allowed at least on the basis of 60:40. One might even say that in the light of this new situation the figure might even be raised to the one operating in the case of industries in general, i.e. 51:49, for Indo-Foreign participation in capital.

(2) Secondly, it is stated that the Government of India have not pressed upon the World Bank the great need for financing Indian Shipping just as has been done for ports, so that the necessary exchange may be forthcoming from that quarter. It is no doubt true that at one time the World Bank Chairman seemed agreeable to consider shipping as deserving of support of the World Bank. But as shipping does not form the Core of the Plan, it is neither likely that the Government of India will apply for such loan nor that the World Bank will agree to give the amount. So far as shipping is concerned, there is no reasonable prospect of any world assistance such as World Bank Loan.

(3) It is seriously suggested that shipping being the second line of defence, part of funds meant for defence proper should be diverted to enable shipping companies to reach the target. Such a suggestion would only emanate from people who would say that shipping was more important than steel interest which is rightly regarded as the "Mother" of all industries.

(4) An equally ridiculous suggestion is that a part, say half, of the money likely to be paid as freight for the import of food-stuffs from America and elsewhere should be diverted to shipping requirements in order that part of the foreign exchange can thus be saved. It is, however, forgotten that if such an amount was allocated to shipping, so much less food could be brought in. Just as the last suggestion meant starving defence for shipping, this one would result in starving Indian citizens for growth of Indian Shipping.

(5) With such a mentality, it is not surprising that it was seriously suggested by the Shipowners that foreign loan be negotiated for Indian Shipping as was done in the case of steel, railways, ports, etc. If the Government would procure such a loan for say Rs. 50 crores and handed over to the shipowners, they will provide out of that amount Rs. 15/20 crores for buying four modern and fast passenger vessels to ply between India and United Kingdom-Continent, enabling the established concerns to thrive at the cost of the country and to earn prestige for themselves. From the balance of 30 crores, 30 modern fast cargo vessels can be purchased to develop India's foreign trade. These ships will of course earn more foreign exchange than the passenger vessels, so for the latter the Government must provide a special allocation of foreign exchange. It is not even stated as to what collateral guarantee would be given against the loan of Rs. 50 crores.

If these fantastic suggestions were to be considered why should one of two Government Corporations not run these ships in the India-U.K.-Continent run, instead of allowing only private companies

to benefit by such a loan? Why should the Private Sector so exasperate public opinion that it would be led to consider the advisability of running under the Public Sector all the new services which need to be started in India's economic interests and this might well include the services run by the established interests with inadequate tonnage.

(6) Even though the Government had announced that for the time being not more than one crore of rupees will be available for the purpose of non-lapsing shipping development fund, the shipowners have been putting forward proposals based upon approximately Rs. 50 crores being available in a 5 year-period on the basis of Rs. 10 crores a year. This suggestion may be regarded as perhaps the extreme length to which wishful thinking has led the established shipowners or their supporters.

(7) It was contended that if the shipowners were put on their feet they would be able to plough back adequate amounts into further runs of shipping, but if as in their suggestion, Indian shipping is to develop by means of loans or by the deferred payment system, most of the foreign exchange earned would go towards meeting the annual interest and amortisement amounts leaving very little to be ploughed back.

(8) Another procedure suggested is referred to as self-financing, which means that against rupees placed with a Bank in India, the equivalent foreign exchange would be released by its counterpart in a foreign country.

This proposition is so alluring and apt partly to mislead that it is necessary to delve a little into its history. As is well known internal rupee resources of the shipping companies were so low that the progress i.e. net additions had come down to a mere 2,014 tons in 1949-50 and had it not been for the cheap loans provided by the Government, the future of Indian shipping would have been very dark indeed. Even so, the private resources were so low that the Government had to provide 85-90% of the cost of a ship to which the Company contributed from 10-15%, the debt being redeemable in 15-20 years, and the Company had to take a Government Director on the Board. It was under these conditions that Indian shipping reached 500,000 G.R.T. against the 600,000 G.R.T. the target laid down by the First Five Year Plan. As a matter of fact, the intake of the cheap loan was so low that 8 crores of rupees out of 23 crores provided in the First Five Year Plan had to spill over into the Second Five Year Plan. Moreover, the paucity of internal rupee resources is further illustrated by the fact that the target fixed for the First Five Year Plan was implemented only at the end of the Second year

of the second Five Year Plan. In the meantime, however, the shipping market had improved, the freights were high with the result that 45 crores which were available for the second Five Year Plan were taken up by the industry, though it is necessary to remember that more than half of the amount was taken up by the Public Sector. However, soon after the second Five Year Plan started the foreign exchange crisis commenced. There was a great strain on both the internal resources and the foreign exchange resources due to the ambitious nature of the second Five Year Plan and other factors into which we need not go here. The up-shot was that to salvage the fundamentals of the second Five Year Plan, it was decided to make available the foreign exchange resources only to what was known as the Core of the Plan, i.e. the Steel Plants, the dams, the Ports etc. But shipping was not included in the hard core of the Plan with the result that the Government could see only one way out of the difficulty and that was to show its readiness to consider the employment of foreign capital in Indian shipping on the basis of the usual 51:49 formula. As soon as this was announced last August, the established ship owners were up in arms against the proposal and the crusade started then became keener when the Merchant Shipping Bill was introduced in the Lok Sabha last February, and the writings on the subject of development of Indian Shipping took a new turn. Publishists who were clamouring for Government aid by way of loans and foreign exchange availability without which the Five Year Plan would end in 1961 with at least 200,000 GRT short thus achieving only about 700,000 GRT., suddenly began to argue as a result of the misplaced, out-moded fear of foreign capital, that if the Government would move the World Bank for a foreign exchange loan, or obtain it through some means or the other, the target could be fulfilled by the due date. Then when it was found that the Government was not able to do any of the things asked for and the need for foreign capital was becoming more and more pressing, the anti-foreign approach became broader and it was claimed that the 25% foreign capital permitted under the old Resolution of 1947 may be done away with and, if possible, only 100% Indian capital should be allowed to be used for development of Indian Shipping. The shift to the right when all the national requirements in shipping needed the swing to the left, can be explained as has since become manifestly clear, by the struggle of the established companies to maintain their vested interests in shipping only for themselves, not paying any heed to the requirements of the smaller shipping companies and certainly caring less for the arrival and growth of new shipping companies.

Such were the conditions prevailing in the world of Indian shipping, when to get out of the dilemma the idea of self-financed

ship-owning was mooted. This matter might well be helpful to enable the established companies with their resources to try and approach the target of the second Five Year Plan, but it cannot be relied upon, particularly when it was pointed out that the main need was not mainly to reach the 900,000 GRT by the second Five Year Plan but to get to national target of 2,000,000 tons by 1966.

Let us now see how the self-financing scheme is likely to prove a failure in so far as the higher objective is concerned. The self-financing scheme pre-supposes either fresh capital or reserves. For fresh capital there is not much scope, in view of the paucity of internal resources and as regard reserves, those of the well-established big five available for expansion come to only about 16 crores which are needed to reach the 900,000 GRT target and nothing left for the 3rd plan. It is, therefore, difficult to understand how with these resources or rather want of any resources except now Rupee Capital, we can hope to reach the target of 2,000,000 tons by 1966, which has been agreed upon by all the parties concerned. Even if the target for the second Five Year Plan, viz., 900,000 GRT is reached by 1961, 1,100,000 tons will remain to be achieved during the five years of the third Five Year Plan. This will mean about 220,000 GRT per year, which in its turn on the basis of each vessel being 7000 GRT will amount to about 300 ships, i.e. 60 ships per year, costing roughly about 60 crores per annum. Now under the self-financing scheme, we must put up 60 crores of rupees per year, i.e. 5 crores a month. This amount of 5 crores a month will be required within the major period of third Five Year Plan, because it is inconceivable that the present position in shipping which enables ships to be purchased at 20-25% down and the rest on instalment basis, spread over 5-7 years, should continue that long. Therefore, even if the Banks are prepared to provide annually 12 crores of foreign exchange for five years, we will not have the counterpart rupee funds or *vice versa*. Even if we have the funds, the Banks will not be prepared to put as large a figure as 300 crores in Indian shipping alone.

Profitable Foreign Capital Proportion.

On the other hand, if the amount is made available, the burden will be about 25 crores a year for instalments and interests. So, if we give up wishful thinking and if we take the bull by the horn, supposing from now onwards we decide to provide for foreign participation of capital on 51:49 basis, which means foreign exchange without any burden on the Government or the economy of the country, we shall be able to spread the balance of 100,000 tons GRT into 7 or 7½ years. The number of ships required would be 22 per year, costing about 20 crores per year, i.e. about 1½ to 1¾ crores per month, which on the basis of 51:49 would mean a little under a crore to be provided by India and a slightly smaller amount by the

foreign participants. Though this would be a great strain on the economy, it might conceivably be made available. In any case, the burden would be about halved, letting the foreign partner bear almost an equal share thereof.

If, however, it is desired to have a wider margin in the holding the basis 55:45 or even 60:40 might very well be adopted.

Foreign Capital Availability.

The next question that arises is whether foreign capital would be forthcoming to the extent desired. That nobody can guarantee, but if it comes, our doors are open; if it does not then we are no worse off, except that as some people fear, we would have upset the established interests. But why should be established interests upset? Is it not in their interest that more Indian companies should be Members of the Conferences, where they have an isolated voice and plough a lonely furrow today? Because, until Indian shipping reached saturation point in all the trades, internal competition of an undesirable character cannot begin. But perhaps so far as Conferences are concerned, it can never operate because the Members of the Conferences compete only in efficiency and are not known to reduce rates just for the fun of the thing. Therefore, more Indian Companies will flourish and the established companies instead of being frightened of competition, should welcome more Indian colleagues, so that neither they nor the Government of the country are humiliated at the Conference table as has been alleged by certain spokesmen of the established interests.

It is argued that to make the self-financing scheme successful the Government of India must guarantee to the parties that give credits to Indian shipowners that if the period of repayment exceeds the fixed limit of time, the Government will release the foreign exchange that will be required for repayment. Now knowing the desperate situation in which the Government finds itself in regard to foreign exchange, is it reasonable to expect that it would undertake a responsibility for an unknown figure in an industry which is not in the hard core of the Plan? If anything, the Scheme suggests one more example of wishful thinking on the part of the established shipowners which has prevented a realistic approach to the problem of Indian Shipping Finance.

Discussion on various percentages.

Such being the case, it was felt that they will be prepared to go even up to 51:49 if the situation was to be saved particularly because with the creation of the Indian Register and the various

controls provided by the bill, the percentage of Capital and Directorate had no longer much significance.

It was also felt that the margin between 51:49 was too narrow given from the point of view of Company Law requirements and suggested 55:45.

Common Ground and varying views

Now one ground common was that the 1947 target must be reached by 1966 i.e. the end of the Third Five Year Plan and that foreign aid as loan or equity capital was essential to develop Indian shipping. The point of difference would seem to be the manner in which the goal is to be reached. Here two views emerged. The shipowners who appeared before us on behalf of the Indian National Steamship Owners Association were confident that the target could be achieved by means of foreign loans while we are of the opinion that more use should be made of foreign equity capital with suitable safeguards. Now taking it for granted that the target of the second plan namely 9 lakhs tons would be reached in time by 1961 and not two years later as has been the case with the target of 600,000 G.R.T. of the First Plan achieved, the tonnage for the five years of the Third Plan will be 11 lakhs and at least five lakhs more if the goal is to be raised to 25 lakhs by 1966 in view of the growth in the coastal and foreign trades. Nevertheless taking 20 lakhs only, the balance to be made up will be 11 lakhs which on the basis of 7,000 G.R.T. per steamer will require about 160 steamers for the plan period to which should be added about 15 more to make up for old tonnage coming up for scrapping.

This would require about 175 crores for five years or 35 crores every year in foreign exchange as we have no foreign exchange for shipping which is not in the core of the plan. Is it then seriously suggested that we will get about Rs. 3 crores every month as loan from foreign market except at high rates of interest which are likely to go higher as soon as our plans become public?

Now as prices of ships are low and available on instalment basis for say seven years, we will pay every year for instalment and interest over 25 crores and supposing in a year or two of depression and low freights we cannot pay, what will be the results? Perhaps even the end of all the mercantile marine we might have built up. It is not, therefore, the path of wisdom to reduce our debt liabilities by almost half by adopting 51:49 formula or at least by two-fifths by providing for maximum foreign equity capital with

adequate safeguards as per the formula of 60:40 for Indo-foreign capital participation which, unlike the loan, further provides for sharing the risks of the business?

The established shipping interests are thus urging a path which retards the development of national shipping and can result in only a slow growth of their own shipping dependent upon their ability to borrow and the desire of international financial circles to lend them as much as 3 crores a month required for attaining the target of 20 lakhs tons by the agreed date of 1966.

The Best Formula.

The following table shows:

(1) The burden put by varying proportions of Indian and foreign capital in shipping upon our resources in case of public companies with issued capital from 2.5 crores to 1.5 crores;

(2) The approximate number of fast marine steamers that can be purchased with foreign capital received on a minority basis in the present condition of the market for second-hand 7,000 G.R.T. ships.

Capital Proportion	51:49			55:45			60:40			66:33:3			75:25		
India : Foreign															
Issued Capital in crores :	1.5	2.0	2.5	1.5	2.0	1.5	1.5	2.0	2.5	1.5	2.0	2.5	1.5	2.0	2.5
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
Lakhs Rs. (Indian)	77	102	128	86	110	138	90	120	150	100	133	166	112	150	188
Lakhs Rs. (foreign)	73	98	122	64	90	112	60	80	100	50	67	84	38	50	62
Ships on initial payment of 25% with foreign capital and the balance payable 5/7 years from earnings	3.4.5			2½.3½.4½			2.2/5.3.1/5.4			2.2.½.3.½			1.½.2 2.½		

The above table shows:

(1) the *lowest burden* of only Rs. 77 lakhs of Indian Capital resources on the basis of 51:49 on an issued capital of Rs. 1.5 crores and the arrangement provides for the *highest benefit*, namely the purchase of 3 steamers for a six-weekly regular fast service in India's distant overseas trades;

(2) the *highest burden* of India's capital resources of Rs. 1.12 crores on 75:25 basis allowing the *lowest benefit* namely only 1.5 steamers with foreign capital.

And today we stand in urgent need of foreign exchange in order to develop our shipping and thereby save and earn about a hundred crores of foreign exchange every year and to meet the requirements of our growing industries and the progressing trades of India, coastal and overseas. This could be secured by foreign loans or foreign capital. Loans under our present economic position will be a great annual burden by way of return of capital and interest if the large sums required could be made available. We are, therefore, definitely of the opinion that the loans in the present context is difficult to obtain and even if we get loan, they will be required for the core of the plan. Hence in the interest of our around development, particularly shipping industry we must obtain as much foreign capital on a minority basis as we can with whatever safeguards may be considered desirable.

An objection has been made referring to the different provisions of Company Law which entail the decision by a majority of 75 per cent of votes. We have considered those provisions and the other provisions that give Government certain powers, and are of the opinion that foreigners who will come to invest money will come with full consciousness of our laws and they will abide by the provision and do all in their powers to make industry as successful and profitable as possible as they have done in other industries. Even now they are in our shipping industry and they have also represented us in the shipping conferences and the evidence showed that they have discharged their trust creditably. We see no reason to apprehend that with all the safeguards in the Merchant Shipping Bill and other laws and the sovereign power and authority of our Government as well, the progress and the safety of our country will not be fully guaranteed.

In view of the importance of this issue and its far-reaching consequences to the economy of our country and particularly development of Indian Shipping Industry, we are of the opinion that the proposal of the Government in the original bill as well as the latest proposal of the Government are not in the best interest of our economic development. In order to draw attention of the Members of the Parliament, we have ventured to submit rather a detailed note showing that the 51:49 formula is best for developing Indian Shipping but if a conservative approach is desired, at least the 60:40 formula must be adopted if our national mercantile marine is at all to serve the economy of the country.

NEW DELHI;
The 19th August, 1958.

NARDEO SNATAK

IV

अहाजरानी का उद्योग बहुत ही महत्वपूर्ण उद्योग है। नेवी से कम महत्त्व का शिपिंग उद्योग नहीं है बल्कि नौसेना के बाद दूसरे नम्बर पर है और इसको रक्षा की दूसरी पंक्ति कहना अति-शयोक्ति नहीं। देश में समाजवादी समाज की स्थापना यदि करनी है तो फिर पूंजीवाद को बढ़ावा देना उचित नहीं। भारत सरकार को चाहिये कि बजाये इसके कि वह इस महत्वपूर्ण उद्योग को देशी या विदेशी पूंजीपतियों के हाथ में दे बल्कि एक इस उद्योग का निगम स्थापित करे, क्योंकि सरकार इस उद्योग को तरक्की देने के लिये पूंजीपतियों की मदद करेगी और उसके लिये सरकार स्वयं तो रुपया देगी ही, वरन विदेशों से भी कर्ज की व्यवस्था करनी पड़ेगी। इसलिये मैं चाहता हूँ कि भारत सरकार निगम की स्थापना करे और संसद को चाहिये कि वह सरकार को ऐसा करने पर बाध्य करे। जहां तक विदेशी पूंजी का प्रश्न है मैं उसके सख्त मुखा-लिफ हूँ। विदेशी पूंजी का अर्थ यह है कि चाय बागान और अन्य उद्योगों से तो विदेशों को हर वर्ष करोड़ों रुपया जाता ही है अब इस महत्वपूर्ण उद्योग में भी विदेशी पूंजी को लगा कर कराइयों रुपया विदेशों को मुनाफा तथा भारी तनख्वाहों की शकल में जाय। अंग्रेजों की पूंजी जो भारत में लगी है वह लगभग १ अरब की है और अंग्रेजों को अब तक मुनाफा की शकल में यदि ३० गुना नहीं तो निश्चित ही २० गुना मिल चुका है। विदेशी मुनाफा भारत की पंचवर्षीय योजना के अन्दर लगाई गई कुल पूंजी का यदि आधा नहीं तो चौथाई अवश्य है। ऐसी दशा में विदेशी पूंजी को न्योता देना बुद्धिमत्ता नहीं होगी।

एक बात और है कि देशी तथा विदेशी पूंजीपति मिलकर भविष्य में राष्ट्रीयकरण तथा समाजीकरण में बाधा उत्पन्न करेंगे। हमको स्वेज नहर तथा ईरान के तेल के चश्मों के राष्ट्रीयकरण की घटना साधारण रूप से नहीं लेनी चाहिये।

नेशनल शिपिंग बोर्ड की स्थापना बहुत ही महत्वपूर्ण है। इसमें नाविकों तथा आम जनता की भी दिलचस्पी होनी चाहिये। अतएव यह आवश्यक है कि इन लोगों का भी प्रतिनिधित्व नेशनल शिपिंग बोर्ड में हो। संसद का ध्यान इस ओर जाना चाहिये।

भाग XIV जो Penalties और Procedure से सम्बन्धित है उसमें तबदीली इस आशय की हो कि नाविकों के साथ जो भेदभाव का व्यवहार रखा गया है दूर किया जाये। जहां तक शिपओनर तथा मास्टर आफ दी शिप का सवाल है, उनके साथ उनके द्वारा की गई गलतियों तथा खामियों के प्रति बहुत नमी का बर्ताव किया गया है। संसद का ध्यान इस ओर जाये और उचित संशोधन किया जाये। सीमेन के काम के घंटों, कम से कम वेतन, ग्रेच्युटी के लिये योग्यता, बोर्ड पर काम की बिल्कुल साफ व्यवस्था और यूनियन का निर्माण आदि पर कमेटी ने जितना ध्यान दिया है काफी नहीं है। इस पर और अधिक ध्यान देना चाहिये।

नई दिल्ली,
१६ अगस्त, १९५८।

राम सेबक यादव

V

The definition of an "Indian Ship" having 60 per cent of Indian and 40 per cent of foreign capital could have been very advantageously accepted by the Select Committee if baseless fears and

unfounded doubts had not prevented a rational approach to the problem.

It is argued that by the end of the Second Five Year Plan the Indian Shipowners will have invested about 103 crores; but to get at the real investment during the 10 years of the two plan periods, we must deduct from that figure 63 crores Government loan and 28 crores pre-war capital, leaving just 18 crores for the period of 10 years of the Plan i.e. about two crores a year from the resources of the established Companies.

A Shipping Company having overseas services and maintaining them with 4 steamers would earn about 2 crores foreign exchange. Supposing these 4 vessels cost about 4 crores, paid with Indo-foreign capital on the basis of 51:49, the dividend on the basis of 5 per cent. would amount to 20 lakhs, out of which on the basis of 51:49, a little more than 10 lakhs will go to the Indian party and a little less than 10 lakhs will go to the foreigner; against these 20 lakhs, his capital together with ours will have given us about 2 crores of foreign exchange, i.e. twenty times the amount he can take out of the country.

The Bill as amended by the Committee gives the foreigners all that he can possibly desire, i.e. the maximum proportional advantage in the set-up with which he will be associated but provides for the Indian Shipping Industry the minimum amount of foreign capital which will mean so much less foreign exchange. Therefore, wisdom lies in getting the maximum benefit out of foreign capital and that too within the limits of a safe minority, as recommended by us i.e. on the basis of 60:40 which provides a reasonable and adequate margin for maintaining Indian control. Only thus can we justify in reason the provision under the Bill, as amended by the Select Committee, for representation of foreign capital in the directorate and even in the managing agency company.

Moreover, it is only by providing for the larger association of foreign capital under the 60:40 basis that we can comfortably meet the scarcity of our internal resources and foreign exchange. On the basis of Indo-foreign capital proportion of 75:25, as proposed by the Bill now, a proposed company with a capital of Rs. 150 lakhs will require the Indian side to put up as much as Rs. 112 lakhs, while the foreigner will bring only Rs. 38 lakhs in foreign exchange which, under the present favourable market position, will buy only 1½ ship while the same company, under the 60:40 formula, can have more than 2½ steamers. Therefore, keeping other factors in the definition of an Indian Ship the same, the Indo-foreign parti-

cipation should be changed from 75:25 to 60:40, which is not far removed from the 66-2|3:33-1|3 suggested by the Minister of Transport himself.

It is a well known fact that since the promulgation of 1947 Policy, no new company has been established nor is there much likelihood of new companies coming up unless the old policy is revised as suggested.

To meet the desired end, even at this late stage and to create a favourable atmosphere for the immediate growth of the Indian Mercantile marine, only one clause namely 21(b) (ii) needs to be amended to read:—

“not less than sixty per cent of the share capital of the company is held by citizens of India”.

NEW DELHI;
The 19th August, 1958.

SAVITRY DEVI NIGAM.

VI

This Bill as it has emerged out from the Select Committee has completely changed its complexion and also its purpose. I feel that existing Private shipping interests have had their way. National interest demands that tonnage should be doubled within this plan period. The existing conditions in the World market of shipping are very propitious and favourable, but without giving any indication as to how we are going to benefit we have shut out foreign participation to our great disadvantage and for the profit of the existing shipping companies.

The great cry and propaganda set afoot to the effect that foreign participation even to the extent of 60:40 ratio will jeopardise the National interest was thoroughly exposed when the witnesses of great standing were interrogated.

Unless Government sets up a Corporation for private shipping and takes advantage of the present situation, we will be surrendering public interest to private interest in refusing foreign participation.

Other changes of vital nature in setting up a Board and a Fund are a great improvement and I am sure the Government will honour the undertaking that the Chairman of the Board will not be a government servant.

NEW DELHI;
The 19th August, 1958.

HARISH CHANDRA MATHUR.

The manner in which the Bill defines an Indian Ship misses an opportunity to foster shipping on a sound basis. We hold that the Government of India should take active steps to foster, develop and strengthen Indian shipping by floating more State Corporations. The role of shipping in our economy and its close bearing on national defence need no special emphasis. Hardly 5 per cent of our foreign trade is at present carried in Indian ships. On a rough estimate the nation pays more than 150 crores to foreign ships. This apart, as things stand, around 80 per cent of the capital of the industry is provided by Government and this too at a very low interest at 3 per cent. Freight is provided by the Government too. These factors indicate that there is a clear case for State enterprise on a wider scale. If, however, for any reason the State shall not expand its activities in the field of mercantile shipping, then, at least to protect a vital national interest and to render it immune to any foreign influence, an Indian ship should have been so defined as to ensure hundred per cent Indian capital, control and management.

The Bill in the manner it defines an Indian ship provides for the participation of foreign capital though to a limited extent. Whereas we are not opposed to foreign capital in the form of aid or loans, the participation of foreign equity capital in so vital a sector of our national economy as shipping with its close connection with national defence is neither prudent nor desirable. The argument that 75 per cent Indian Capital and management will protect our national interest is not as convincing as it appears. That a block vote representing 25 per cent of the voting rights may be in a position to powerfully influence though not necessarily dominate Indian shipping is borne out by the history of world shipping. The "shipping interest" in the Court of Directors of the East India Company controlling 350 out of a total of 1824 votes acquired an influence far in excess of their numerical strength by judicious use of the block vote though it was not even as high as 25 per cent. It is not infrequently that managing agencies in Indian Joint Stock Companies have been able to control and manage the Companies in the manner they like with the block vote of less than 25 per cent. Experience and principle therefore demand that either the State plays its part in building Indian shipping or at least prevents foreign influences from getting a foothold in this sensitive spot of our national economy.

Another point of disagreement is the Bill does not provide that the trade carried in sailing vessels should be exclusively reserved for Indians. At present this important sector is very largely

dominated by non-Indian elements like the Portuguese, the Dutch and the Arabs.

We also disagree with the provision in section 64. Exemptions provided for Government ships from the applications of certain provisions of the Bill are, in our opinion, not fair to non-Government ships. We feel that as regards applicability of the provisions in the Bill, there should be no discrimination between the two. Government shipping should prove its superiority by higher efficiency, greater economy and superior management. Its case is lost if it is to be provided with artificial crutches.

NEW DELHI;
The 19th August, 1958.

V. K. DHAGE
NATH PAI

VIII

The Select Committee have decided in Clause 12 in connection with the definition of an Indian Ship that the foreign investment will be limited to the extent of 25 per cent and investment of Indian nationals will be 75 per cent. This ratio was provided in the 1947 Resolution. It had failed to attract foreign capital. Also in the light of our economic development and the progress we desire in the Shipping Industry and further in view of our difficulties regarding the availability of capital and paucity of foreign exchange, it is in the national interest that foreign investment should be allowed in the ratio of 60 per cent Indian Nationals and 40 per cent foreign investors. We would have suggested 51:49 per cent formula as it has been accepted by the Government in several other industries, but if a more conservative formula is desired, 60:40 should meet the requirements.

During the first two years after the War the existing companies added a lot of tonnage to their fleet. A few new companies were started, but the process soon ceased and for some years before the promulgation of the First Five Year Plan, hardly any progress was made and even so for the first year hardly any response was made and when progress started in the third year of the plan, it was found that the amount of about Rs. 20 crores allocated for shipping was not taken up and had to spill over into the Second Plan, though the Government were prepared to give loans upto 85 to 90 per cent of the cost of a ship repayable during 15 to 20 years. This delay in using the loan money resulted in the First Plan being implemented in 1958, two years after the end of the Plan in 1956.

For the Second Five Year Plan, various targets for shipping varying from 15 *lakhs* to 10 *lakhs* were put by different parties, but owing to financial stringency, the Planning Commission laid down

the target of only 900,000 tons. This time, however, owing to the greater awareness about shipping and its possibilities, the total amount of 45 crores available for the Second Five Year Plan was picked up almost within a year of its announcement, but owing to the prices of tonnage having risen in the meantime and difficulties having arisen about foreign exchange, it was feared that by 1961 the target of 900,000 G.R.T. would be short by 200,000 G.R.T. At this stage in September, 1957, the Minister for Shipping courageously announced in the Lok Sabha that despite the Resolution of 1947, he was prepared to consider the common industrial formula of 51:49 for the participation of foreign capital in Indian shipping too. The *shipping interests* which had not been able to fulfil the earlier target, started a campaign against foreign capital which was intensified when the Bill was introduced in February, 1958. To show that there was no need for foreign capital, the earlier fear that there would be a shortage of 200,000 tons was replaced by the optimistic guess that after all shipping would be able to meet the target, if the Government rendered adequate assistance. Later as the tempo regarding participation of foreign capital grew, the shipping interests alleged that they could meet the target with very little Government assistance and in the final phase when the Select Committee were appointed, it was argued that taking advantage of the *self-financing* and deferred payment arrangements, Indian shipping would be able to reach the target more or less on its own without any Government aid at all. This move was helped by the fact that owing to an economic recession, the prices of tonnage had dwindled and a good opportunity presented itself for adding to Indian tonnage. But besides paucity of internal resources, the other snag was foreign exchange. Even so, attempts were made to show that by scrapping a few crores from here and some crores from there, the target could be met and it was boldly alleged that shipping interests were in a position to reach the target by 1961. But wishful thinking did not end there. When an enquiry was made as to how they would meet the target of 2,00,000 G.R.T., by 1962—a target which was fixed in 1947 for implementation by 1954, various impracticable suggestions were put forward largely based on wishful thinking.

The question that arises now is whether foreign capital would be forthcoming to the extent desired if 60:40 formula was accepted. That nobody can guarantee, but if it comes our doors are open; if it does not then we are no worse off.

It will not be out of place to examine the self-financing scheme a bit critically. To make it successful, the Government of India must guarantee to the parties that give credits to Indian shipowners that if the period of repayment exceeds the fixed limit of time, the Government will release the foreign exchange that will be required

for repayment. Knowing now the desperate situation in which the Government finds itself in regard to foreign exchange, it is reasonable to expect that it would undertake a responsibility for an unknown figure in an industry which is not in the hard core of the Plan? If anything, the Scheme suggests one more example of wishful thinking on the part of the established shipowners which has prevented a realistic approach to the problem of Indian Shipping Finance.

Nevertheless one ground common was that the 1947 target must be reached by 1966 i.e., the end of the Third Five Year Plan and that foreign aid as loan or equity capital was essential to develop Indian shipping. The point of difference would seem to be the manner in which the goal is to be reached. Here two views emerged. The shipowners who appeared before us on behalf of the Indian National Steamship Owners Association were confident that the target could be achieved by means of foreign loans while we are of the opinion that more use should be made of foreign equity capital with suitable safeguards. Now taking it for granted that the target of the second Plan namely 9 lakhs G.R.T., would be reached in time by 1961 and not two years later as has been the case with the target of 6 lakhs G.R.T., of the First Plan, the tonnage for the five years of the Third Plan will be 11 lakhs and at least five lakhs more if the goal is to be raised to 25 lakhs by 1966 in view of the growth in the coastal and foreign trades. Nevertheless taking 20 lakhs only, the balance to be made up will be 11 lakhs which on the basis of 7,000 G.R.T., per steamer will require about 160 steamers for the plan period to which should be added about 15 more to make up for old tonnage coming up for scrapping.

This would require about 175 crores for five years or 35 crores every year in foreign exchange but we have no foreign exchange for shipping which is not in the core of the plan. Is it then seriously suggested that we will get about Rs. 3 crores every month as loan from foreign markets except at high rates of interests which are likely to go higher as soon as our plans become public?

As prices of ships now are low and available on instalment basis for say seven years, we will pay every year for instalment and interest over 25 crores, and supposing in a year or two of depression and low freights we cannot pay, what will be the results? Is it not, therefore, the path of wisdom to reduce our debt liabilities by almost half by adopting 51:49 formula or at least by two-fifth, by providing for maximum foreign equity capital with adequate safeguards as per the formula of 60:40 for Indo-foreign capital participation which, unlike the loan, further provides for sharing the risks of the business?

The established shipping interests are thus urging a path which retards the development of national shipping and can result in only a slow growth of their own shipping dependent upon their ability to borrow and the desire of international financial circles to lend them as much as 3 crores a month required for attaining the target of 20 lakhs tons by the agreed date of 1966.

We stand today in urgent need of foreign exchange in order to develop our shipping and thereby save and earn about a hundred crores of foreign exchange every year paid by way of freight and to meet the requirements of our growing industries and the progressing trades of India, coastal and overseas. This could be secured by foreign loans for foreign capital. Loans under our present economic position will be a great annual burden by way of return of capital and interest if the large sums required could be made available. Hence in the interest of our alround development, particularly of our shipping industry we must obtain as much foreign capital on a minority basis as we can with whatever safeguards may be considered desirable.

In view of the importance of this issue and its far-reaching consequences to the economy of our country and particularly the development of the Indian Shipping Industry, the proposal of the Government regarding proportion of foreign capital in the original bill as well as the latest proposal of the Government is not in the best interest of our economic development. Hence this detailed note to explain the position fully that at least the 60:40 formula must be adopted if our national mercantile marine is to serve the economy of the country.

NEW DELHI;
The 19th August, 1958.

MOOL CHAND JAIN.

IX

Keeping in view the hardships that Indian shipping concerns had to undergo during the old regime, it is difficult to reconcile to the idea of foreign participation even to the extent of 25 per cent. If, however, taking into account the depressing state of buyer's market and the foreign exchange difficulties, it is pertinent to review and revise our attitude and decision in this matter, the wise course was to have resorted to foreign loans or self-financing devise, with all the vigour and resources that we can demand only after we had the occasion to note the balance-sheet in the light of our efforts and experience. We could have been justified in opening the door to equity participation. It is very pertinent to believe, that while we can manage to secure foreign loans or credit on deferred payment for the core of our Plan, something could have been equally, if not more,

successful in the case of our desire to increase our tonnage. Apart from this view-point, it will not be amiss to mention that permission to foreign participation in management in proportion to their investment is a concession which will even pleasingly surprise the foreign participants. As much as I know, situations in the foreign markets are such that 25 per cent permissive ceiling of participation in management can be successfully bargained for higher participation or increased investment of foreign capital. Judged from this background, I had a shrewd suspicion that we could not display better wisdom than the situations obtaining gave us the opportunity to do. This is where I strike my note of dissent from the collective mind of the Committee, though with a real sense of regret.

NEW DELHI;
The 19th August, 1958.

RAJENDRA SINGH.

X

While in general agreement with the rest of the provisions of the bill as it is emerging from the Select Committee I have to strike a different note as regards the proposed definition of 'Indian Ship'.

Urgency about covering our sea borne trade with Indian ships to the greatest extent possible is accepted. In order to achieve this objective our total shipping must be nearly of 20 lakhs G.R.T. In the present context we have not the wherewithals nor are likely to have in the foreseeable future to have that much tonnage either through State and or private efforts. I do not think it is necessary to further restrict the formula of 51:49 per cent participation so far as shipping is concerned.

Apprehensions expressed in some quarters about 49 per cent participation by foreign capital seem to be more imaginary than real. The necessity of saving and conserving foreign exchange and huge freight charges we are bearing today by far outweighs the consequences so far pointed out.

Other conditions laid down in the new definition are acceptable.

NEW DELHI;
The 19th August, 1958.

GHANSHYAMLAL OZA.