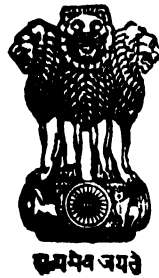


LOK SABHA

THE JOINT COMMITTEE ON  
THE MERCHANT SHIPPING  
BILL, 1958

**EVIDENCE**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**  
*July, 1958*

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**THE JOINT COMMITTEE ON THE MERCHANT SHIPPING BILL, 1958**  
Minutes of Evidence taken before the Joint Committee on the Merchant  
Shipping Bill, 1958.

*Monday, the 7th July, 1958 at 15.00 hours.*

**PRESENT**

**Shri Upendranath Barman—Chairman.**

**MEMBERS**

*Lok Sabha*

Shri Liladhar Kotoki	Shri Mool Chand Jain
Shri S. Osman Ali Khan	Shri N. M. Wadiwa
Shri Harish Chandra Mathur	Shri Radha Raman
Shri Anirudha Sinha	Shri Shivram Rango Rane
Shri Ram Dhani Das	Shri Raj Bahadur
Shri Ghanshyamlal Oza	Shri K. T. K. Tangamani
Shri Raghunath Singh	Shri Rajendra Singh
Shri Nardeo Snatak	Shri Ram Sewak Yadav
Shri Tekur Subrahmanyam	Shri S. A. Matin
Shri K. P. Kuttikrishnan Nair	Shri Aurobindo Ghosal
Shri K. Periaswami Gounder	Shri Badakumar Pratap Ganga Deb Bamra
Shri Dinesh Pratap Singh	Shri S. K. Patil

*Rajya Sabha*

Shri Akbar Ali Khan	Shri Vijya Singh
Shrimati Savitry Devi Nigam	Shri Abdur Rezzak Khan
Shri J. S. Bisht	Shri V. K. Dhage
Shri Jethalal Harikrishna Joshi	Shri R. P. Sinha

**DRAFTSMAN**

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

**REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS**

**Shri Nagendra Singh, Joint Secretary, Ministry of Transport and Commu-  
nications.**

**Shri P. R. Subramanian, Deputy Director General of Shipping.**

**Shri S. K. Ghosh, Deputy Secretary, Ministry of Transport and Communi-  
cations.**

**SECRETARIAT**

**Shri A. L. Rai—Under Secretary.**

**WITNESSES EXAMINED**

*The All India Manufacturers' Organisation, Bombay*

**Spokesmen:**

**Shri N. D. Sahukar**

**Shri Murarji J. Vaidya**

**Shri S. N. Haji**

(Witnesses were called in and they took their seats)

**Chairman:** On behalf of the All India Manufacturers' Organisation, Shri N. D. Sahukar, Shri S. N. Haji and Shri Morarji Vaidya are here before the Committee.

First of all, I should read out the Rules of Procedure of our Committee that relates to you. Under the Rules, the evidence shall be treated as public and is liable to be published unless they specifically desire that all or any part of the evidence tendered by them is to be treated as confidential. However, even though they might desire their evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

**Shri Sahukar:** May I take it that that means that we are not free to publish it.

**Chairman:** No. You cannot publish. If you think that a certain part of the evidence tendered here should be treated as secret or confidential, we shall not publish them to the outside public, but certainly it will be available to Members of Parliament. That is the position. The proceedings here are confidential. You cannot publish anything.

You have submitted your memo. In that, you have made certain points. You have stated in page 7 of your memo that foreign participation will provide the foreign exchange for the first payment to be followed by instalment payments from the earnings. That is to say, according to you, if foreign participation be allowed, the difficulty of the Government of India or of the Shipping Association in acquiring ships is obviated. At the same time, you have stated that foreign participation of capital should be allowed only up to 49 per cent., and that 51 per cent. should be contributed by the Indian public or Indian citizens, and that at the same time, control and management should

also be predominantly Indian. You have stated that if foreign participation up to 49 per cent. is allowed, no foreign exchange difficulty will arise from the side of the Indian Government or the Indian citizens, because the first payment will be made by the 49 per cent. foreign participation capital and thereafter, the instalments also will be paid out of the earnings. Two points arise out of this. First of all, it envisages that acquisition of ships will be available on instalment payments.

**Shri Sahukar:** Yes.

**Chairman:** The second question is whether, even if that is available, this 51 per cent. contribution from the Indian Government or Indian citizens will be required or not.

**Shri Sahukar:** It will be required. It will be necessary to have that in any case. Otherwise, how can we have control?

**Chairman:** You suggest that no foreign exchange is involved on the part of India because 49 per cent. participation of non-Indian capital will do the job of acquiring the ship by way of first payment.

**Shri Haji:** The amount that would be available to the company by way of Rupees will be utilised for the working of the company. In due course, when the Indian shipyards become available or shipping berths become available in larger numbers, then, we should be able to build ships in India. We are stressing this point because the present difficulty is foreign exchange difficulty. Where we have got the balance in Rupees, in addition to the working capital, we should also to a small extent be able to get foreign exchange against putting part of that Rupee money in Banks in India.

If I may make myself clearer, it is possible now to get foreign exchange in European countries through banks by paying the equivalent amount of money in this country. I know that

that cannot lead to any big tonnage. But, that is helpful. My submission is that the Indian part of the capital which is not used up in foreign exchange for buying ships immediately, would be utilised for future transactions. I have suggested that the Indian money would be available for working capital. Probably by 1959 or 1960 whenever the Vizag yard has a berth available or the new shipyard gets ready, we should be able to build Indian ships as well.

**Chairman:** If Indian shipyards build ships, that is a different matter. For the present, we are not contemplating that. My question is this. Supposing a ship for overseas trade costs Rs. 1 crore, you have said that the working capital would be financed by this 51 per cent.—49 per cent. will be foreign capital and 51 per cent. Indian. So far as the purchase of ships is concerned, unless we get on easy instalment basis, will it be covered by the 49 per cent.? What is the idea?

**Shri Haji:** What we mean is this. Here is Rs. 1 crore in Rupees. Here is Rs. 1 crore in foreigners capital, in any foreign exchange, pound or whatever it is. With that foreign capital, we purchase the immediate tonnage. Your question is, what do we do with the Rupee capital that we have got.

**Chairman:** The question is whether ships worth Rs. 1 crore will be available on an instalment basis or at a cost of Rs. 49 lakhs.

**Shri Haji:** The point I was making is this. With your permission, I will take a concrete case. Supposing there is a Rs. 2 crore Indian company. If 51 : 49 is allowed, Rs. 104 lakhs will be the Indian capital and Rs. 96 lakhs will be the foreign capital. As the position stands in the world of shipping today, with this Rs. 96 lakhs—for rough purposes, I will call it Rs. 1 crore—because shipping is available at 25 per cent. or even 20 per cent. down,—let us take the higher figure—

with this Rs. 1 crore of foreign money which is also foreign exchange, we get 4 ships. These four ships will pay the balance of 75 per cent. by means of the foreign exchange they will earn during the five or seven years period which is also stipulated for repayment.

**Chairman:** You can have four ships with that Rs. 1 crore.

**Shri Haji:** Your question is, what do we do with the other Rs. 1 crore. I have got to keep anything from Rs. 30 to 50 lakhs—let us say Rs. 40 lakhs—for working expenses. With the other Rs. 50 lakhs, what I do is, I put it in the Bank X here and that X Bank will give me the equivalent in dollars or sterling or whatever I want in another currency and I pay interest on it.

**Shri V. K. Dhage:** How do they give foreign exchange?

**Shri Haji:** That is the arrangement we make with the Bank. You may take it from me—I hope those who are in the know of things will back me up when I say this—at the moment it is possible to make such an arrangement. Shri Nagendra Singh is an expert in this.

**Shri Dhage:** Arrangement on the basis of depositing Indian Rupees in the Indian Bank or a Bank in India.

**Shri Raj Bahadur:** It is an arrangement by the party concerned. They deposit the rupee content and against that rupee content, the head office of that foreign bank gives them foreign exchange.

**Shri V. K. Dhage:** The point is whether that arrangement is done by an Indian bank registered in India with Indian capital or a foreign bank working in India.

**Shri Nagendra Singh:** A mercantile bank having its head office in a foreign country and working in India.

**Shri Haji:** I have a feeling that even an Indian Bank with a parallel agency in England will not find it

difficult—will not find it so easy, but will not find it difficult.

So, the point I am making is this, that because we want to keep 51 per cent. in order to have control, that 51 per cent. is not wasted. Having got four ships, with this Rs. 50 to Rs. 60 lakhs available, we can buy one or two other ships. But this is not the way we can play for long. It has been suggested by some other people that this is one of the methods by which you can continue to have Indian tonnage, but our view is that this kind of bank arrangement might be good for five or ten ships, but not more, because, after all, the banks are not going to put all their eggs in one basket. So, it is not a thing which will solve your problem mainly, but it is definitely a procedure by which the balance of our capital in rupees which is not required for the time being can be utilised in having one or two more ships.

**Chairman:** So, you say that this arrangement of depositing Indian currency here in Indian Banks and getting equivalent foreign currency elsewhere where the ships might be available is not a difficult thing.

**Shri Haji:** For a few ships it will not be difficult, but one company cannot get many ships on that basis.

**Shri M. J. Vaidya:** As 25 per cent. would be made available out of the foreign capital participation and the rest 75 per cent. is on credit, it will be possible on a sort of self-earning basis—out of the earnings of the ships in terms of foreign exchange when we ply them between India and other foreign countries. So, this is a double arrangement.

**Chairman:** So, 25 per cent. of the price is paid in foreign currency and the ship can be acquired.

**Shri Haji:** Before we leave this question, I would like to add that it is most fortunate for us that while we are considering this question of foreign capital here, the shipping

prices in the world during the last eight months have tumbled down to the extent that enables us to take advantage of it, but I am afraid it is not a thing that will last for two, three or five years. It is only a question of probably a year or so. And my submission is that this is an ideal opportunity, prices having come down to the low enough and they are likely to come down still further in my opinion—and the sooner we come to this decision the better, because it will not last for long.

**Chairman:** As regards the main provision of the Bill that so far as companies are concerned, they can be registered as Indian companies, even if 16 annas of the capital be contributed by a foreign concern, you have said that that is not a good proposition.

**Shri Haji:** We do not approve of it.

**Shri Sahukar:** We are not happy about it.

**Chairman:** To be happy or unhappy is a lighter thing, but have you got any definite objection to that?

**Shri Sahukar:** Yes.

**Chairman:** What are the grounds?

**Shri Sahukar:** The ground is that ultimate control in the management of the company also must be in national hands. That is the primary ground on which we take our stand, because if there is no national control, then probably we may not be able to dictate policies with regard to freight charges or treatment of the employees and all that in the national interests.

**Shri Bisht:** That is regulated by the Act itself.

**Shri Sahukar:** But not with regard to the ultimate control because, after all, if the capital is owned by Indian nationals, then certainly Indian nationals are in a position under the company law to dictate policy to the directors.

**Chairman:** So, according to you it will not be only 51 per cent., but full control or majority control and direction should be in Indian hands. All these things, majority interest, majority direction and majority control should be in India?

**Shri Sahukar:** Yes.

**Chairman:** In that case only it is advisable; otherwise not?

**Shri Sahukar:** Yes. And the majority means 51 per cent.

**Shri Bisht:** How do you expect foreigners to put their money into a company in which they have no hand either of control, regulation, policy or anything?

**Shri Sahukar:** As a matter of fact, quite a large number of foreign concerns today are participating in and collaborating with Indian concerns even on the footing of minority shareholding.

**Chairman:** That is, 25 per cent.?

**Shri Sahukar:** Yes, and in some cases even less than that. The normal is 49 per cent.

**Chairman:** At present 49 per cent. is not allowed under the Act. We are talking about shipping. There at present there is provision that up to 25 per cent. foreign capital can be associated. How far has it succeeded?

**Shri Sahukar:** It has not succeeded because up till now the times were not propitious so far as foreign participation in this country's development was concerned. Mr. Haji is in a better position to point out as to how it has not succeeded.

**Chairman:** I wish to know whether in any company this provision of 25 per cent. foreign capital participation has succeeded to any degree up till now.

**Shri Haji:** No, Sir. This 25 per cent. has not succeeded because there is no example that one can think of.

**Chairman:** Has there been any attempt for such participation?

**Shri Haji:** Attempts are being made, but the real reason why earlier attempts were not made was the general impression among the Indian public that it would be very difficult to get the Government to agree to any percentage for the foreigner because propaganda had created an atmosphere that everything should be 100 per cent. Indian. It was only in last August when the Minister for Shipping referred to the possibility of the Government of India considering 51:49 that people began to see that foreign capital could now be utilised. Of course, at that time there was no question of the Bill, but under the Shipping Policy Resolution of 1947 it was possible for the Government of India to make exceptions, and as the Minister of Shipping stated in another connection, these conditions of the 1947 Resolution are ordinary conditions, and not mandatory conditions. They are conditions in which the Government, if they thought it necessary to do so, could make exceptions, and I dare say they could have theoretically made exceptions even to the tune of 100 per cent., but that would depend upon the political atmosphere or the support that the Government might get from the public. But what I am trying to get at is this, that the 1947 Resolution is not by itself even a mandatory one and that is why the Minister for Shipping stated in Parliament, even without this Bill, last August that the Government could consider 51:49.

**Shri Raj Bahadur:** Depending upon the merits of each case.

**Shri Haji:** Yes, exceptions have to be made on merit.

**Shri Akbar Ali Khan:** Has there been any scheme taken up under the 1947 Resolution?

**Shri Haji:** None that I am aware of.

**Shri Akbar Ali Khan:** Supposing you give to the extent of 49 per cent. are you sure that they will take part in this enterprise?

**Shri Haji:** Now, as I was saying, it is only recently that the Indian public has become aware of the fact that foreign capital can come into this picture. Whatever be the reason; even the Indian public used to imagine that this had got to be all Indian etc., but ever since that announcement in Parliament in last August, there have been efforts, I understand, from various countries, not necessarily shipping companies, definitely from America, U.K., Belgium and Arabia and probably Japan also. People are prepared to come and join us in developing Indian industry just as we have got them in the biscuit factory, chocolate factory, Parker ink, pharmaceuticals and so many other things.

**Chairman:** Leave alone other industries because we have got 100 per cent. in certain industries; we have permitted that, but that is an absolutely different matter. Speaking about shipping, the trend of the question is: on the condition that 25 per cent. foreign participation was allowed but the directorate, management etc., must be predominantly Indian, has any country or any non-citizen ever offered to come and join with an Indian citizen?

**Shri Haji:** No, Sir.

**Chairman:** Then necessarily the question will arise: if they have not done so, why? Is it because of 25 per cent. or because of control?

**Shri Akbar Ali Khan:** I am asking this question particularly for this reason. There is a view that 75 to 100 per cent. of the capital should be Indian. Suppose we do not agree with that and we accept the suggestion of 51:49 and you do not get any offer from outside, it will be futile.

**Shri Haji:** Here was the policy of allowing 25 per cent. and yet nobody has come, but there is one important reason why that 25 per cent. was not taken up very vigorously, because it lays down that even if the foreign capital be 25 per cent., all the directors should be Indian and the management should be Indian, with the result that no foreigner is going to give us 25 per cent. and have no say at all. That is why we are saying that if we give 49 per cent. and some representation in the Board, they would be willing. I have given you the names of the countries, and others might be willing to come and join us.

**Chairman:** Which are the countries? How many?

**Shri Haji:** America, U.K., Arabia, Belgium, Switzerland and Japan. Business interests in these countries are willing to come forward. They are willing today. They might not be willing tomorrow.

**Chairman:** They are willing on the condition that we allow them 49 per cent. participation, but the directorate and management will be predominantly Indian.

**Shri Haji:** That is what our understanding is.

**Chairman:** You are an expert in the line. You must give some definite opinion on which we can come to some decision. Otherwise, there is no value in asking this question.

**Shri Haji:** It is the Government that is approached by people. When I say that Arabia is interested, naturally I have heard people say that Arabia is interested, but Arabia does not apply to me.

**Chairman:** Again, you make a confusion. You have heard people say Hearsay evidence is no evidence. You are an expert and you must state something positive as your opinion.

**Shri Haji:** I will give you a specific example.



**Shri Radha Raman:** On a point of clarification. I understand him to say that if we accept 19 per cent., we will have to give representation to the foreign citizen who will invest the capital of 49 per cent. in the same proportion in the directorate and management. But I understood from Mr. Sahukar that he was prepared to have the entire management and control and supervision in Indian hands and have 49 per cent. Which of these two is correct?

**Shri Sahukar:** I mean the majority, the predominant majority, will be Indian controlled. After all, if there is majority Indian control and majority Indian participation, it goes without saying that the management will be predominantly in national hands.

To supplement what Mr. Haji has said, and to reply to the hon. Member there, may I add that today with the Government's more liberal policy towards shipping industry, foreign participation will be more readily available than it ever was before.

**Shri Akbar Ali Khan:** Will it be necessary to give 49 per cent. in management also?

**Shri Valdia:** No, Sir. It has been the experience of all countries which have taken advantage of foreign capital that the management is predominantly, by and large, in the hands of the country in which the moneys are invested. It is only in the Board of Directors that the people who want to put in capital expect to be represented somewhat in proportion, but not always in the proportion of 49—51. If we have 12 directors, it is conceivable there may be only four foreign directors and eight Indian directors, as has happened in other industries.

I would like to refer to the question that was asked as to why up till now foreign capital has not come in even on the basis of 25:75. To my mind, there are two reasons. One is that up till now the prices of ships

were very high and they were not easily available. Secondly, the Government of India was providing all the finance by way of loans at very cheap rates to the shipping industry to the extent that the shipping industry could secure foreign ships and plan out their expansion. So long as this money was available from the Government of India, and so long as our foreign exchange position was comparatively easy so that the rupee capital or the rupee loans that were made available by the Government of India could also be made available in the form of foreign exchange through the Government of India, there was no difficulty, and there was no need for going in for any foreign capital, especially when we could not use even the loans that were made available by the Government of India. It is well known that only recently when the Government of India reduced the rates further that the money was taken up by the Indian shipping companies. But, now, our country's position is very different, and the world position also has changed. Our country's position has changed in the sense that we have no foreign exchange. So, even if the Government of India were to make available rupees to the tune of Rs. 60 or even 80 crores for the expansion of the shipping industry, yet that money would not be available in terms of foreign exchange. Therefore, foreign exchange has become necessary. That is one thing.

Secondly, the world prices of shipping have also fallen, and therefore, this is the opportune time for us to have foreign ships.

Thirdly, this constant hammering by our Government on the doors of various foreign companies and various foreign private interests that they should agree to give us machinery and capital goods and ships on deferred payment basis has at last had its effect. Only two years ago, when I was in Europe, and the Government of India announced this policy for the

first time, the foreigners were taken by surprise, and they asked 'What do you mean? You want us to give you machinery, ships etc. without your paying for them in hard cash?' Now, they have attuned themselves to this requirement of the Government of India, and therefore foreign capital is now available.

Finally, as Mr. Sahukar has said, the world climate for investment in India and aid to India also has changed for the better.

So, all these circumstances make it possible that if we provide the attraction of 51 : 49, foreign capital will come both in the form of deferred payment and equity capital, and ships would be available at a reasonable price.

**Shri Tangamani:** In view of what you have stated namely that foreign capital is now willing to come and invest, may I know whether in accordance with our policy statement of 1947, wherein 25 per cent was laid down, foreign capital will be willing to come and invest?

**Shri Valdyia:** Our feeling is that with this 25 : 75 proportion, foreign capital may not be willing to come in. That is our feeling, and that is based on our experience in other industries.

**Shri Radha Raman:** Even if it is changed to 45, without changing the character of the board and the management?

**Shri Valdyia:** As I mentioned and as Mr. Sahukar has mentioned, if we expect foreigners to invest their moneys, they naturally expect that at least a proportionate representation on the board of directors will be given—it need not be exactly 49 per cent, but it may be say, 35 or 40 per cent; that would be expected by those who are to put in their money, because they want to make sure about the security of their money. They are not interested in changing our national policies or controlling our national policies, because they will not be allowed to do it. But as far as the security of their

money is concerned, they want to see that the money that they invest is looked after by their representatives.

**Shri Dhage:** If a ship has to be owned by a limited company, what are the provisions of the law at present?

**Shri Sahukar:** 25:75 was the policy statement of Government.

**Shri Dhage:** I am not concerned with the policy statement. I am only concerned with the present state of the law.

**Shri Haji:** The present state of the law, as I understand it, is this. Under our company law, anybody can register a company and can run ships. It is only when that somebody wants Government cargo, and Government help and Government loan that he will have to come under what I might call the clutches of the resolution. Otherwise, he is free.

**Shri Dhage:** If that be the case, if any foreigner can own a company hundred per cent, and there is no restriction with regard to that, except to say that because of the policy of the Government of India, a company owned entirely by foreigners would not be favoured by the Government of India, then what is it that has prevented anyone from floating a company and carrying on business other than what Government might intend to do? Under the present law, there is the possibility of foreigners hundred per cent. And yet you say that they have not found it feasible to have a company.

**Shri Haji:** Just as the foreigner did not come under the 25 per cent rule because he could not get even one director on the board, similarly, here when he gets no particular advantage, by coming to India, why should he come at all?

**Shri Raj Bahadur:** His question is different. Although there is no prohibition under the law for any company being registered with hundred per cent

foreign capital and owning ships, why is it that no company has been formed?

**Shri Haji:** For, so far as the overseas trade is concerned, it is free under international law to anyone. So that, if the British company can work along the Indian coast to carry on overseas cargo from India and to India, without giving up their nationality in their own country, why should they come to India at all?

**Shri Dhage:** How do you expect them to come with 49 per cent?

**Shri Haji:** I expect them to come with 49 per cent because I am giving them more or less proportionate representation. I am giving them the facility that somebody would get from Government, if required for expansion. They will get the cargo from Government. And let me add this, that today the Indian market has become very much talked of outside, because this is one of the few countries in the world today where cargo is available both ways; owing to our Second, Third and Fourth and future Plans, we shall always be needing capital goods coming from European or American countries. Our raw products and semi-manufactured goods are going from here. And there is the guarantee which generally other countries do not give, that Government cargo which is a large proportion of the cargo today will be given to Indian ships. That is why so many foreigners will be willing to come and put themselves on the Indian register.

**Shri Raj Bahadur:** There is one point that arises out of this. Will it not to that extent diminish the possibilities of purely Indian-financed companies getting assistance from Government? For example, if there is a certain quantum which will be made available by Government or otherwise, the foreign participators will also cut into or eat into this particular allotment. To that extent, the purely Indian-financed companies will have their opportunities prejudiced.

**Shri Haji:** I take it that if we establish the Indian register, and the foreigner comes under our law on the Indian register, under the company law, with rupee capital and with small proportion of the directors, no attempt will be made to differentiate between him and what I may call the 100 per cent Indian companies, because that is not done by Government in any other industry. There are scores of industries where the foreigner has put in 49 per cent; and once he becomes an Indian, he is as good as a hundred per cent Indian as a 58 per cent or 80 per cent Indian.

For example, if you will recall, when we gave protection to the match industry, the main benefit of the match industry went to the foreign companies.

**Shri Vaidya:** The question put by the hon. Member Shri Dhage was: "Although it is permissible for any foreigner to come and have one hundred per cent foreign capital being registered in India and own a ship, why is it that no such company has been formed?". The answer to that is very simple. It is not merely a case of registration of a company and the owning of ships. Any foreigner who wants to come and establish any business or any industry in India has to obtain the permission of the Controller of Capital Issues and various other permissions are required under the ordinary law governing the economic affairs of the country. If I have read the policies of the Government of India rightly, it has generally been the practice that except in very special cases, where the Government of India had agreed or was a party to it, no hundred per cent foreign capital companies have been allowed to operate in any economic field of the country, and certainly, therefore, not in the shipping field. That is the simple answer to the question that has been asked by the hon. Member.

**Shri Dhage:** It may be a matter of policy that this is the law; and of course, the permission of the Control-

ler of Capital Issues is necessary. But does it mean to say that the Government of India have refused any such application that has been made to them?

**Shri Vaidya:** Probably not, I am sure if application had been made, it would have been refused. Of course, that is for Government spokesmen to say.

**Shri Raj Bahadur:** That is a little hypothetical.

**Shri Vaidya:** The question that you put is also very relevant, that the existing Indian companies might feel and so naturally, that if the partly foreign-financed companies are allowed to be established in the country, the total sum available for distribution of loan or help by the Government of India may be shared by these companies as well. That is natural. To that, my answer would be that with the foreign capital and the foreign capital loan coming in, it may perhaps be not necessary for the Government of India to come forward with any loans or financial assistance to the shipping industry, and we may be able to reach our target even without the assistance of the Government of India. That is my feeling.

**Shri Dhage:** You say that 49:51 shall be the proportion and 51 per cent shall be that of the Indians. You want that the control should be all with the Indians. You want that the control should be with the Indians?

**Shri Vaidya:** Yes.

**Shri Dhage:** And that 51 per cent. participation of the Indian capital will be able to enjoy the control over one hundred per cent. of the capital?

**Shri Vaidya:** Yes.

**Shri Dhage:** Is it your experience in the joint stock companies that the managing agents with much less than 49 per cent. have been able to exercise control over one hundred per cent. capital?

**Shri Vaidya:** Yes, because they have the backing of the large majority of the other shareholders. Wherever they have done things which are in the interests of the company or of the shareholders or at least a large majority of the shareholders, they have been able to get their support, but wherever they have run against opposition from the shareholders, the managing agents have very often been thrown out and come to a very sorry pass. That has been the experience of many companies.

**Shri Dhage:** The 49 per cent people can thwart the wishes of the nationals, if they are able to get over two per cent of the shareholders on their side.

**Shri Vaidya:** Yes, that can only happen if the Indian side is divided within itself.

**Shri Dhage:** Therefore, the control theoretically is not possible. With 51 and 49 per cent. the Indians being all the while in control is not possible in all cases.

**Shri Akbar Ali Khan:** In all national industries, it will be possible on fundamentals. On minor points, it may not be possible.

**Shri Dhage:** They can just win over two per cent. of the shareholders.

**Shri Vaidya:** Even in the existing Indian companies, where even 25 per cent. foreign capital may have been allowed, this 25 per cent. foreign capital may be held by one party in one block, whereas the remaining 75 per cent. Indian capital will be held by thousands of shareholders, and the managing agents may control ten or fifteen per cent. It does not happen that there have been any cases. But theoretically it would have been possible. But we have to remember this that with a national and sovereign Government of India sitting in New

Delhi, it will not be possible for any foreigner who has come with the permission of the Government of India to get away with any anti-national policies or any harmful practices, as far as the country is concerned.

Under the new company law, the Government of India have got full powers to check any such practice or any such action at any time. It is open to the Government of India, even if the 49 per cent wallahs succeed at the annual general meeting or extraordinary general meeting of the shareholders, and it is within the competence of the Government of India under the Indian Companies Act, 1956; to intervene at any time and prevent any action which is harmful to the country taking place.

**Shri Dhage:** I am trying to understand. Even in government concerns, e.g. in the banks, the State Bank and so on, the Government always have 51 per cent and gave 49 per cent to the public, in order to have complete control over the affairs of the institution in which they have 51 per cent. Government have never thought of having less than a capital holding of 51 per cent, so that no one will be able to go against the wishes of Government. What I mean to say is that in a proposition of 49 and 51 per cent. if there is one individual on the other side with 51 per cent, then his wish will always be dominant; otherwise, there is likely to be division and no full control over it. That seems to be the idea behind the policy when Government invests in concerns and invite participation from the public. Do you think that in a company with shareholders who have less than 50 per cent holding, may be even less, they will be able to have their wishes through?

**Shri Vaidya:** Yes, they will see that they secure proxies and carry any proposition through at the annual general meeting or extraordinary general meeting.

**Shri Sahukar:** After all, we must leave it to our nationals to be patriotic enough to know that in an industry, like shipping, if they have a majority holding, they should exercise their right. If my hon. friend is afraid of the shareholders not exercising their rights, there is nothing we can do about it.

**Shri Dhage:** I do not subscribe to sentiment. I am talking like a hard practical man after calculation.

**Shri Sahukar:** Even with half calculation, a businessman will see to it that he has a say in the management of a concern in which he has his capital.

**Shri Liladhar Kotoki:** I want to have a clarification. So far as the question of participation is concerned, it is a matter which involves policy. There are other industries also besides shipping. Therefore, I think we should take these two questions apart, how to control Indian shipping and whether we should encourage participation of foreign capital so that our deficiency in shipping may be filled up. Therefore, I think the foreign exchange question should not be given undue importance.

**Shri Sahukar:** With due respect, we have not been able to understand the question.

**Chairman:** He is expressing an opinion.

**Shri Akbar Ali Khan:** I am sure you will agree that there is a difference between the shipping industry and other industries. So far as other industries are concerned, the policy is to have 51 per cent. But in shipping generally the capital is the ship itself, and in an emergency it is the second line of defence. Keeping this in mind, would you again advocate that we should have 49 per cent. foreign capital?

**Shri Sahukar:** After all, in the ultimate analysis, the real control over a ship which is afloat or as my hon.

friend, said, which is capital itself, will be on the side of the stronger navy. Even assuming that 100 per cent capital is owned by Indians, when the ship is on the high seas, in an emergency, if the Master of the ship is compelled to take the ship to a foreign country, only the stronger navy will prevail. Therefore, my submission is that the question does not arise.

**Shri Akbar Ali Khan:** Should we take that risk?

**Shri Sahukar:** That is there even if the ship is 100 per cent Indian. Unless we have control over the high seas, we cannot say that we will have 100 per cent control over the movement of the ship.

**Shri Akbar Ali Khan:** Taking the special case of shipping, particularly so far as its special necessity or requirement is concerned, should we not have a big majority?

**Shri Sahukar:** After all, it will be a majority; whether it is a majority of one or four makes no difference. To my mind, a majority of one is still a majority.

**Shri Akbar Ali Khan:** With a small majority, will we have the same weight and voice if our control were cent per cent?

**Shri Haji:** I would say something about the way the conferences work. The argument concerning conference is really one which is intended to frighten people who do not understand what I may call the secret workings of the conference system. Today we have to remember that there are conferences practically throughout the world, whether it is Japan, Australia, England or America. In these conferences, the number of members is anything from 12 to 22, sometimes even 30, and they represent all kinds of countries. In a conference it is only when all the countries unite against India that the Indian point of view

will be defeated. But normally speaking, in a conference—and I have worked in at least three or four conferences for years together—the commonsense point of view prevails, except when an emergency like the Suez crisis, arises, and that is where the Government naturally comes into the picture. There what the shipping companies do, and very rightly—there are also foreign shareholders in such companies—is to obtain a directive or have consultations with the national Government and put their views accordingly. Whether it is a question of developing our industry or developing our exports when in a conference the members of the conference feel that the particular individual is voicing the opinion of the national Government or the requirements of the national industry, I have found, whether it is the Indian demand or Greek demand, that the other members accede to it, not exactly to the same extent that the member wants, but to a certain extent. It is only when the member wants definite rights for himself, extension of his rights or things like that, there is opposition. So that when the representative of a shipping company in a shipping conference either adopts a national attitude or tries to carry out the directive of his Government, generally he is heard with great attention.

In the Suez Canal issue, we spoke on behalf of ourselves and of the Government of India. But you have to remember that the point of view of the Government of India was met by the other people.

My further submission is this. Supposing you have a 51:49 per cent company, it has been the experience that so far as the conference is concerned, whether the representative is white, black or brown, he invariably carries out the instructions of the head office. After all, we have to remember that we are members of a conference in America, Australia and so on. It happens that only in one or two places,

we have got Indian nationals as our representatives. Suppose there was some trouble in Australia. The Eastern Shipping Corporation which run lines on that side, have not got an Indian representing them. They are represented by a foreigner. That does not mean that our interests there will suffer. It is the same thing in Japan. As a matter of fact, even in the case of companies that have got their offices there, it does happen that on occasions at various ports they have foreign representatives.

This fear of the foreigner is really, to my mind, very artificial now after ten years of independence. We should shed that fear of the time when the foreigner was working in league with his Government against our interests, because then we had no independence. Now that we have our own show all over the place and we are independent, the fear of the foreigner has to go. If we find that a particular foreigner who works for us for his bread and butter does not serve us well or does not behave, he has to go.

**Shri Akbar Ali Khan:** How?

**Shri M. C. Jain:** The foreigners came here in the 16th century. We know what happened. The same thing can happen again.

**Shri Haji:** I do not mean to be critical, but we were then not a nation but a series of small States.

**Shri R. P. Sinha:** I would like to draw your attention to page 8 of their memorandum, wherein they have stated that by the end of the Third Five Year Plan that if their scheme is accepted, India should have 2 million tons of shipping as recommended by the Shipping Policy Sub-Committee, and for that Rs. 200 crores would be required. Now, roughly speaking, 49 per cent is to come from foreign sources, that is Rs. 100 crores and 100 crores of rupees should come from the Indian side. They have also given a statement regarding progress of Indian

tonnage, in Appendix II, wherein we find that after 1951, the money that was put in the shipping industry was very poor—whatever was put in was from government sources either in the shape of loans or subsidies. They also know what is likely to be the government contribution during the Second and Third Plan periods. At least in the case of the Second Plan, the Minister himself has said that about 7 or 8 crores may be forthcoming. This leaves about Rs. 90 crores to come from Indian businessmen. If they can give us an assurance that this will be forthcoming from the Indian businessmen and from foreign sources, then it is worthwhile accepting their scheme, otherwise not.

**Shri Haji:** Suppose Rs. 100 crores are required from foreign sources. As I said earlier, today ships are available at 25 per cent. Therefore, though the authorised capital of the company will be that, what is required is only 25 per cent. That is why I told in reply to a question by the Chairman that this is the time to strike quickly and to strike hard. This time may not last for more than 3, 8 or 12 months.

**Chairman:** You mean 25 per cent. less?

**Shri Haji:** Suppose you buy a ship worth Rs. 1 crore. You pay 25 per cent, i.e. Rs. 25 lakhs down, and the ship is yours. Then you operate the ship in the overseas trade and over a period of five to seven years, out of the foreign exchange earned, you pay them. Therefore, this amount of Rs. 100 crores from the foreigners will only be on paper because we will take the capital issue only to the tune of 1/4th of the total figure.

As I said, we have to wait for about ten to twelve years. When you have got the guarantee of Government cargo you have also got the difficulty of tonnage so far as certain trades are concerned. You have got the advantage of being Members of Conferences where the rates are high. I

think that much of leeway should be available.

**Shri Sahukar:** There is another point also. Whenever there is collaboration with a reliable foreign concern, national money is more easily forthcoming than otherwise, whatever might be the reason. Wherever there has been collaboration, nationals have subscribed to the share capital, as in the case of Metal Box Company, Wimco Matches, leave aside Hindustan Lever and so many other foreign concerns.

**Shri R. P. Sinha:** Do you mean to say that within this short period it will be possible to raise the tonnage from 9 lakh tons to 20 lakh tons?

**Shri Haji:** I think in the course of eight years we should be able to do so.

**Shri R. P. Sinha:** You were just now discussing about the Conferences. In case a representative of a shipping company of a collaborationist is to go, Indians will be usually sent or there will be a mixed representation, of both—majority and minority.

**Shri Haji:** These Conference meetings are held normally once a week or fortnight. Nobody goes from India. What is done is that your agent there—it might be an Indian, it might be an American or an Englishman—represents the concern at the other end. Where very important issues crop up, then of course somebody from the headquarters does go. Naturally the man that will go will be a national. But so far as one can see, whether it is a national or otherwise, he has to speak to the brief provided to him by the Board. When a national is not available, it is not unusual for a company to be represented by X, Y, or Z from Hamburg. My experience has been that even where we have got foreigners to represent us, we have never been let down.

**Shri R. P. Sinha:** May I ask from the witness, as he has some experience of the working of these Conferences,

whether it has happened that the nationals of a country have acted in a way as to be prejudicial to our national interest?

**Shri Haji:** That has not happened—not to my knowledge.

**Shri R. P. Sinha:** Have you come across some cases where, say, a man coming from Kent, representing an American company, may plead or side with the British interest, where his interest is affected and not the interest of American shipping?

**Shri Haji:** A very good illustration of your question will be this. Have American agents of Indian shipping companies not behaved in New York or somewhere else in America as good carriers of the views of the headquarters, even when suggestions are made which may be against American interest?

A man in the world of business normally acts in his capacity as an agent, and his countrymen would not look down upon him, because they also know that X, Y, Z represents an Indian company and they will think low of him if he did not represent the point of view of the country of which he is an agent.

**Shri R. P. Sinha:** If the Conference acts in a manner, or takes a decision which is prejudicial to the interest of India, is it possible for the Indian shipping companies to approach the Government of India to throttle the decisions of the Conference.

**Shri Haji:** As I said earlier, normally speaking, when the view represented before the Conference is a national point of view, generally, whether it is the Indian, Greek or British, it is respected by the other people. But it might happen that in cases of emergency there might be other points of view. There we will have to suffer, because our tonnage is not very large. After all among the Members of the Conference, we are only one in only some cases we are two.



Here is a statement made by one of the speakers at a Symposium on Shipping which was held in Bombay. With your permission, I shall read it, because it is not a secret document. It appears at page 68 of *Indian Ship*. The reference to Conference proceedings is more of imagination than realism. From what I will read just now you will understand that.

"A thing which the Government of India has hardly realised, or, at any rate its advisers have hardly realised, is that however powerful the Government of India may be, to whatever extent its writ may run in this country, however much it may make citizens of any kind—it may abolish caste among all people, it may submerge the workers and the capitalists together in one common cause, it may make the managerial establishment and the workers belong to one category,—there is one thing which the Government of India cannot do, and will not be able to do for several decades to come, to influence adequately the decisions of the various powerful Liners' Conference which are entrenched so well and so deeply that the writ of the Government of India does not run. They have to go with bated breath and whispering humbleness if they want to get any little advantage out of these Conferences. They are powerfully established. The only way that they can be disestablished as the Church was disestablished out of the Country—is to create such a powerful independent private shipping interest in India that it can stand up and threaten them, argue with them, fight with them and call them to their proper place with adequate facilities, both financial of its own and with the powerful support of the Government behind."

Government Members are here; they will probably be able to enlighten you later on. I am not aware of any instance that has ever happened where the Government of India before this international body—may be in London, may be in Hamburg or anywhere else—went with "bated breath and whispering humbleness". My submission is that if the Government

of India is to be reduced to this humiliating position, the Government of India would know and should know what to do with conspiratorial congregations of this description.

After all, remember gentlemen, these conferences pervade all countries, all trades. I have yet to come across a case where the Conference put the Government of that country to shame in the manner proposed here that the Government of India has been.

**Chairman:** Your view is that the view expressed here is quite contrary to facts.

**Shri Haji:** Whether it is a fact or not you will be able to know from Government benches.

**Shri R. P. Sinha:** Is there any instance in the history of the Conference where the Governments of other countries have humbled the Conference?

**Shri Haji:** None to my knowledge.

**Shri Sahukar:** As there seems to be considerable misgivings from the point of view of the hon. Member that our case is not being put properly before the Conference Lines, may I put it this way? We must bear in mind the fact that the majority management is in the hands of nationals as we have advocated. After all, if the majority control is in the hands of the nationals of this country, then, naturally, they will dictate to the representatives what line to take up. And, it stands to reason that whoever the representative may be, as Mr. Haji rightly said—he may be an American—he is bound to represent the views of his masters, that is, the Board of Directors whom he represents.

Take for instance, the Communist Government of Kerala. In fighting the Education Bill in the Supreme Court, they engaged a British national as their representative to argue their

case. Was it ever suggested that the British national did not argue properly the case of the Communist Government of Kerala?

**Chairman:** That is not the proper instance to be brought here.

**Shri Akbar Ali Khan:** I want to know, as a piece of information, whether there are many shipping companies in America or England which are capitalised by foreign capital.

**Shri Haji:** We have submitted a schedule with our memorandum.

**Shri Akbar Ali Khan:** You have stated it is permissible. I agree with that. But what I want to know is whether there are actually companies which are capitalised by foreign capital.

**Shri Haji:** What we have put before you is this. We have quoted from a standard book published by the United Nations called '*Laws concerning the Nationality of Ships*'. From this book, which is from an international source, we have given you this information and we are no more than mere carriers of that useful information.

**Shri Akbar Ali Khan:** I understand that. I want to go further. I want to know actually whether there are shipping companies....

**Shri Haji:** This is definitely true because I have read the law....

**Chairman:** What is the question?

**Shri Akbar Ali Khan:** My question is whether there are shipping companies in England which are foreign. As a matter of fact, are there shipping companies which are financed by foreign capital?

**Chairman:** Is there any foreign company which has been registered in England as a British shipping company?

**Shri Haji:** In England it is not permissible to allow a foreign company to be registered. We have to distinguish between a foreign company and company with foreign shareholders.

**Shri Radha Raman:** He wants to know companies with foreign capital.

**Shri Haji:** I am sure that if you go through the list of shareholders of some of these British companies you will find that there are Greek shareholders, Norwegian shareholders and others. But I cannot tell you whether the proportion is 51 and 49. What I have submitted is on the authority of this book and on my own knowledge.

**Shri Vaidya:** I will submit to the Committee in 4 or 5 days a list about the holdings of foreign companies in European countries—I mean the English shipping companies with foreign capital. That will give you the actual information that you want.

**Shri Sahukar:** As to what Mr. Vaidya said, we have to look through all our books in the Library. If we are in a position to collect that information we will certainly give that to the Committee. But the Committee will excuse us if we are not able to collect information; we won't be able to give that.

**Shri Haji:** If you want complete information, then, Somerset House, London is the proper place.

**Shri Abdur Rezzak Khan:** I would like to refer to page 7 of the memorandum. One of the reasons given there is the possibility of bringing large overseas tonnage on the Indian register in view of the present buyers' market in shipping. I would like to know what are the precise reasons for the low prices of ships in international markets. My question is actuated by the fear that when some of the useless material is being shunted off from the international market we people might get things which are out of date by paying good money.

**Shri Haji:** Of course, if a man without any knowledge of shipping—one end or the other—were to enter the market he might become a cropper. But for an entrepreneur who knows his business it is not so even if a ship is to be sold in America. I will just explain the procedure which is rational. Suppose we wanted to buy a ship in Vancouver. What is to be done is, the Lloyds Surveyor in Vancouver or some other competent person would be asked to go and see the ship. He will give an indication of the general condition of the engine, hull etc. Then comes the stage where we are satisfied. Then, probably, we will send a man from here, our Superintending Engineer. He will go; then the boss himself may go if the transaction is a big one. Therefore, no competent shipowner is likely to be saddled with useless ships.

**Shri Abdur Rezzak Khan:** What is the precise reason for these low prices?

**Shri Haji:** For that you require an understanding of the world market which is very easy. For example, a liberty ship which some time at the beginning of last year was worth Rs. 71 lakhs can be had now for Rs. 17 lakhs or even Rs. 14 lakhs. That is where the shipowner has to be wary all the time.

To answer your question specifically: the world market is showing a recession and the fall is really great for the tramp market or the charter market. That is why the movement of goods internationally is not so brisk, particularly when you remember that owing to the good times that were there, say about 1956-57, a lot of tonnage has grown—about 110 million tons on the world altogether. Even a little recession so far as tramp charter ships are concerned will affect them very greatly. Therefore, if you are in a Conference Line your loss will not be so great as if you were a mere trampship owner.

**Shri Sahukar:** To answer the precise point made out, may I point out

this? Sixty per cent. of the international commerce is in the hands of the United States and the United States vessels carry them. With recession in the United States there has been considerable fall in international commerce with the United States and that is the main reason why there is such a tremendous slump in the freight market and world shipping.

**Chairman:** That means, in the United States there is less of commerce.

**Shri Sahukar:** Yes; both coming into and going out of the United States.

**Shri Radha Raman:** I want to get some more information from the witnesses. They have said something about foreign capital invested in other countries. I want to know the position with regard to management in those countries; whether it is in the hands of some foreign nationals or entirely in the hands of the nationals of the country though the capital is foreign.

**Shri Haji:** Without going into details of which I am not aware, I can definitely say this. There are foreign directors on the Boards of British companies—whether the proportion is 51:49 or according to their holding, I do not know. But, I do not think in those 39 countries there is anything like what we have got; that is, even we when allow the foreigner to put in 25 per cent. of the capital, he won't have one little voice in the business because all the directors have got to be Indians.

**Shri Raghunath Singh:** If your proposal is accepted, India will have two types of companies—one will be Indian and the other mixed type of company, that is, Indian and foreign. One page 13, Mr. Ramaswami Mudaliar has stated that it will lead to conflicts between purely Indian shipping companies and these shipping federations and that the Indian owned company will not survive in competition.

**Shri Sahukar:** In the other industries also, there are hundred per cent. Indian concerns and there are other concerns doing the same manufacturing activity with foreign participation. Those Indian concerns which are efficient are able to survive. Therefore there is nothing to fear that where there is collaboration between an Indian and a non-Indian concern, that only will survive.

**Shri Vaidya:** I would like to add one thing. To my mind it is the foreign investors who are putting their money into India who should be afraid about the safety and the future security of their money rather than we who will be getting the money and who will be holding the money and the ships under a supreme national sovereign government.

**Shri Raghunath Singh:** What I mean to say is this. When there is a mixed company, and foreign interests are there they will try to see that only mixed companies survive so far as foreign trade is concerned.

**Shri Sahukar:** How could they do that so long as the majority management is in the hands of the nationals? Our nationals will be in a position to dictate the policy of that company or the shipping line.

**Shri Haji:** May I just add one word? As the majority of the cargo moving today to and from India is government cargo, if only government will give their cargo to companies of that description, why will Indian companies come to grief?

**Shri Harish Chandra Mathur:** Do I understand from your memorandum that it is only because of foreign exchange difficulties that you are recommending foreign participation; or that you recommend foreign participation even if the situation was not such?

**Shri Sahukar:** There are two reasons and foreign exchange is one. Even our own capital is not

forthcoming and we have no developed capital in the shipping industry. We require such a tremendous amount of capital which is not forthcoming from our own country. Therefore, we have got necessarily to supplement all the small capital which we have by foreign capital, if we want to reach the targets that have been laid down and which are absolutely necessary if we want to save this continuous drain on our foreign exchange position.

**Shri Harish Chandra Mathur:** In view of what has been stated, because of the present depression in the shipping industry and the downward trend of prices, the second question need not be made so much of. Even for 2 million tons we require only Rs. 225 crores of capital.

**Shri Sahukar:** Are you satisfied that you would get this capital in the next five years?

**Shri Harish Chandra Mathur:** I think we have to reach not only the target of 9 lakh tons but 20 lakh tons. Even from your own statement I understand that the question of local capital is not so acute. How do you reconcile these two views?

**Shri Sahukar:** As was pointed out, there are two factors; one is Indian capital and the other is foreign capital. We require foreign capital as also foreign exchange. I will explain to our friend what we are driving at. It is this. We are short both of Indian capital as well as foreign exchange. Therefore, by resorting to foreign collaboration we can have both foreign capital as well as foreign exchange.

**Shri Harish Chandra Mathur:** In your memo, you have stated that in the present state of affairs, we shall not be able to achieve the target of 9 lakh tons even by the end of the Second Plan. What are your reasons for such a view, particularly in the light of the facts and figures furnished by those who are in the business already—figures to the effect that by the

end of the Second Plan, without any foreign assistance, this target could be achieved. Do you agree with those facts and figures? If you are not aware of them, I will state them.

**Chairman:** They are not supposed to have gone through them.

**Shri Haji:** They are all in these brochures.

**Shri Harish Chandra Mathur:** What I mean to say is, their conclusions are based on one particular fact that we will not be able to reach the target by the Second Plan period. As against it, we have before us certain facts and figures which want to convince us that without any foreign assistance we are in a position to achieve the target. Have they got any information to contradict that? Do you think that these facts and figures which have been given cannot be relied upon and if so, what are your reasons?

**Shri Haji:** I won't say anything about what cannot be relied upon. But, I can say this.

**Shri Harish Chandra Mathur:** I am particularly referring to....

**Shri Haji:** It is all here. I have got your point.

The difficulty began and shows itself very nicely when we find that our target of the First Plan we shall be fulfilling in the second year of the Second Plan. It has also to be remembered that the target of 9 lakh tons was based upon the fact that we do not have enough financial resources. On top of it has come the foreign exchange trouble. It is possible, because I have seen articles where it has been stated a few months ago that we will be short by 200,000 tons. I think, probably, Government in reply to some questions in Parliament, have said the same. I have since seen figures to show that we shall be short by 100,000 tons. After that, figures

have been given to indicate that 9 lakh tons may be reached. I hope it will be reached. But what I want the committee Members to remember is this that our target is not 9 lakh tons, but 20 lakh tons which should be reached at as early a date....

**Chairman:** The question is not that. Suppose our target is 9 lakh tons at the end of the Second Plan. According to the reports, it is possible without foreign capital participation, to reach the target with the resources available.

**Shri Haji:** My submission is this. We are having this legislation not to reach the target of the Second Plan.

**Shri Harish Chandra Mathur:** Why do you bring that point again?

**Chairman:** That point is known. It was curtailed to 9 lakh tons.

**Shri Haji:** May I finish my sentence? We have got . . . .

**Shri Harish Chandra Mathur:** My question is simple. I do not want to go into the larger question. My question is confined only to this. You have given facts and figures to indicate that we will not be able to reach the target, we will be short by 1 lakh and a few thousand tons in any case and that is one of the reasons why, as you have stated, we should go in for foreign participation. As against that, I want to ask whether you accept the facts and figures given here or you have some comments to make that you think that these figures cannot be relied upon and we should not think that the target would be reached.

**Shri Vaidya:** Past experience and past performance is a better guide than any expectation and hopes. I would say this. With the tremendous help that the Government of India is giving by way of loan, if we have not been able to reach the target of

the First Plan before two years of the Second Plan have gone, with the foreign exchange difficulties that we have today, even if the Government has the money to give by way of loan, which cannot be translated into foreign exchange and we cannot buy ships, I do not see how....

**Chairman:** You have said that if the Government of India can finance, it can be deposited here and its equivalent foreign exchange got.

**Shri Harish Chandra Mathur:** I want you to answer a particular question. Could you lay your finger on any fact or figure cited by them to show that this should not be relied upon and these are your reasons?

**Shri Vaidya:** The very simple fact that we have reached the target of the First Plan by 1958 is enough evidence to show that we will not be able to reach the target with the resources we have at present.

**Shri Harish Chandra Mathur:** Why do you forget the fact that the conditions were never as favourable as they are today.

**Shri Vaidya:** So far as the availability of ships is concerned. What about the money part?

**Shri Haji:** If I may try to make the point clearer, insisting upon our saying yes or no to a particular issue has no relevance in the sense of our memorandum. Because, in our memorandum we do not say merely that 9 lakh tons will not be reached. We have further said on page 8 that the target of 2 million tons was fixed etc., so that we envisage this Bill in the sense of reaching a target of 2 million tons which was fixed 20 years ago and which probably will come to 25 lakhs now. The point I want to make is, if I may go beyond what the hon. Member is asking.....

**Chairman:** That is not necessary. We have got all that from your memo. We have read all that.

**Shri Harish Chandra Mathur:** If you do that, I will have another ten questions to ask.

**Chairman:** What the question implies is this. Suppose 2 lakh tons fall short during the Second Plan period. What is the foreign currency involved in acquiring 2 lakh tons according to your present calculation?

**Shri Haji:** It will come to 30 ships which means Rs. 30 crores roughly.

**Chairman:** Out of this sum of Rs. 30 crores, there is mention that only 25 per cent of foreign exchange is required in the beginning and the rest can be paid by earnings—pay as you earn.

**Shri Harish Chandra Mathur:** They have provided 50 per cent.

**Chairman:** Their case is, 25 per cent is required. You require Rs. 7½ crores of foreign currency for acquisition of 2 lakh tons. If it be contended that that this sum of Rs. 7½ crores can be provided by the provisions already committed to by the Government of India, namely the Development Fund which itself comes to Rs. 7 or 8 crores.

**Shri Haji:** I quite agree.

**Chairman:** There is the Fund which the Government have. Whatever is repaid by way of interest will be added. There is the depreciation fund of the companies. You have said that Indian currency can be converted into foreign currency.

**Shri Sahukar:** Foreign exchange is not available.

**Chairman:** This was the trend of your statement. Do you controvert all this that it can be financed in this way?

**Shri Haji:** I think I made it clear that the deficit of 200,000 tons may even be reduced to 100,000 tons or it may come down to 58,000 tons, if we take all possible resources. But, the

point we are making in our statement, on which I hope you will hear me, is that we are not talking of 51:49 in the sense merely of getting at the target of the Second Plan. Our approach to the whole problem is visualisation of 20 lakh tons.

**Shri Harish Chandra Mathur:** I will come to that later.

**Shri Haji:** We have to remember that the Minister himself has stated that the position will be very difficult about foreign exchange for shipping in the Third Plan.

**Chairman:** It comes to this that you are more particular about the fulfilment of 20 lakh tons.

**Shri Haji:** The overall target.

**Chairman:** The question is so far as the 9 lakh tons.....

**Shri Haji:** That I have answered: by scrapping here and there, we can reach it.

**Shri Harish Chandra Mathur:** In view of the most advantageous conditions which are obtaining at present, will you not recommend that the Government of India should go all out in their effort to set up a Corporation and find Rs. 25 crores which should not be very difficult and have the 20 lakh tons within 3 or 4 years?

**Shri Sahukar:** Where is the Government of India going to get foreign exchange?

**Shri Harish Chandra Mathur:** I will come to foreign exchange. Don't you think that the Government of India cannot make a better investment than in setting up a Corporation for shipping at the present moment because of the most advantageous conditions?

**Shri Dhage:** Why should not the Government undertake this proposition?

**Shri Harish Chandra Mathur:** You can get foreign participation. The

Government of India can get foreign participation. Because money is scarce and private parties may not find Rs. 25 crores, don't you think that the Government of India holding the whole thing will be in a stronger position?

**Shri Dhage:** The Government of India is required to release foreign exchange in one instalment.

**Shri Harish Chandra Mathur:** Can they suggest any better investment for the Government because of the present most advantageous conditions than to invest in the Shipping Corporation?

**Shri Sahukar:** Speaking very frankly, we would prefer the shipping industry to be in private hands for one thing. For another, as it is, there are so many conflicting demands on the limited financial resources of the Government of India that we are not sure whether the Government of India would be in a position to find the requisite finances.

**Shri Harish Chandra Mathur:** Please do not go to that. Do you think that the Government of India can invest their money in anything better because of the foreign exchange earnings, because of better profits?

**Shri Sahukar:** That is for the Finance Minister of the Government of India.

**Chairman:** They are unable to express an opinion on that.

**Shri Sahukar:** Yes.

**Shri Harish Chandra Mathur:** Don't you think that this is the most profitable business because of the conditions which they have been stressing so far?

**Shri Haji:** The fact of the matter to my mind is this. The Government is so poor in resources with regard to fundamental things. Our friend is talking about investments. A poor

man does not think of investment. A poor man has to think of how to earn his daily bread. Our Government unfortunately is in a financial position where they cannot provide Rs. 25 crores, but a suggestion has been made. . . .

**Shri Harish Chandra Mathur:** I am not asking them about the resources of the Government. I am asking them only from the business point of view. The Government of India is going into so many things in the public sector. Is it not a fact that the Government of India can invest their money in nothing with greater advantage than shipping?

**Shri Dhage:** I will put this proposition in another way. From the memorandum and the evidence that we have heard so far, two or three points emerge. One is that Indian capital is shy. The other is, because it is shy, the Government of India has come out giving them loans, and because the private interests did not take the loans at the rates at which they were offered, the Government of India was obliged to reduce the rates. Thirdly, on freight charges alone India has to pay Rs. 160 crores, and since it is a profitable proposition . . .

**Shri Harish Chandra Mathur:** And particularly at this time when ships are so cheap. The Dutch do not know what to do with their ships away from Indonesia, and the British are producing so much tonnage. The Government of India has to provide the facilities to the private industrialists; they have also to provide them the foreign exchange that is necessary to purchase the ships etc. If that be the case, if the Government of India has to finance them, give foreign exchange, give them cargo etc., to carry and bring back, would it not be feasible for the Government of India itself to carry on this business?

**Shri Sahukar:** On ideological grounds, we are against the Govern-

ment entering private trade, to be very frank.

**Shri Harish Chandra Mathur:** Don't you think it would be a better way of helping our industry to try to raise loans particularly from the World Bank and other institutions for the little foreign exchange of another Rs. 10 or Rs. 15 crores that we require, rather than allow foreign participation and have all the trouble? Why not try to arrange certain loans rather than allow foreign participation in this particular enterprise which is a basic industry and of national importance?

**Shri Haji:** So far as taking a loan from the World Bank is concerned, a lot has been said about some letter which the chief of the Bank wrote some time ago, but after that we have been told that the World Bank has refused to come to the aid of shipping, though they are prepared to come to the aid of ports. How far the Government can succeed in changing the mind of the World Bank I do not know. But when the Government is satisfied that no efforts are going to be successful, or does not make any efforts, to keep on urging the Government to do something to my mind as a practical man has no meaning.

Similarly, if you will allow me, it has been said that Rs. 150 crores go every year by way of freight, and we also spend a handsome amount by way of freight on our food imports. It is asked in one of these articles: why does not the Government of India give us Rs. 25 crores to buy ships under these very favourable conditions?

**Shri S. K. Patil:** There is a little misunderstanding. The Government of India never made any approach to the World Bank to include shipping. It is not that we got a rebuff. It was suggested the Government of India might have approached the World Bank for a shipping loan and that it was not given. It is not a



fact. We have not approached the World Bank for shipping because shipping is not in the core of our Plan. We have not done that.

**Chairman:** Therefore I should add that Mr. Haji, while speaking before this Committee, should speak something which is within his knowledge and not from heresy. Just now what he said has been controverted.

**Shri Harish Chandra Mathur:** I only wanted a reply to this simple question, whether he would prefer such a loan or he would prefer foreign participation. I do not know what his answer is.

**Chairman:** But it is not for these witnesses to give a direct answer. We can raise this point with the Government

**Shri Harish Chandra Mathur:** But they have based their memorandum simply on the fact that there is foreign exchange difficulty and that we cannot get out of it, that there is no way out. If we can get the money, don't you think they would prefer it?

**Chairman:** It is a question of opinion.

**Shri Harish Chandra Mathur:** Why does he think that this depression, these favourable conditions, will last only for six months or so? What is the information in his possession which leads him to say that it might last only for six months. Instead of a general statement, we would like to have factual information on this point so that we may draw our conclusions whether these conditions would last only for a few months or are likely to last much longer.

**Shri Sahukar:** With regard to the first question, we have come here not to discuss any ideological principles, but to discuss the Bill. As to why Government should not themselves own a shipping corporation and

subscribe capital, that is not for us to answer.

So far as the second question is concerned, again there seems to be some recovery in trade. As the United States trade is once again slightly on the up grade—it might be, we do not know—a recovery might occur, and if there is more of commerce, naturally once again there will be greater demand for ships and therefore the rates might go up.

**Shri Harish Chandra Mathur:** I thought they had information about the tonnage that was idle and specific reasons to come to the conclusion that this state of affairs is or is not likely to continue.

**Shri Haji:** On these matters we can only talk of tendencies.

**Shrimati Savitri Nigam:** I wanted to ask about the World Bank which has been answered to some extent.

As far as foreign participation is concerned, I am not against it if we have sufficient control, but I want to know what would be the position in case of war if the foreign investor joins one bloc and India supports another bloc.

**Shri Sahukar:** After all, under the Act, the control will be in the hands of the Government of India, and therefore, the Government of India would be in a position to issue a directive to the master of the ship and bring it into the Indian port. That is very simple to my mind. Or, the Government of India by means of its Navy will requisition the ship.

**Shrimati Savitri Nigam:** What would be the position of those ships which are not in Indian shores?

**Shri Sahukar:** That would be entirely dependant upon the strength of the Navy. If our Navy is in a position to run its writ on the high seas, it would be in a position to bring back the ship here; otherwise

we would not be able to do it, whether the control is 100 per cent Indian or not.

**Shri Haji:** If ships are in foreign ports and the foreign country is our enemy, you will never see those ships again until after the war. That happens everywhere. We got hold of German ships, the Germans got hold of British ships and so on.

**Chairman:** Is there any real cause for apprehension on the part of indigenous shipping companies that, if foreign participation in capital is allowed, absolutely foreign interests, with the help of participants within the country, may float companies and register and being in a much more advantageous position financially, may enter into cutting down rates, because in the overseas trade the Government of India can have no control in the matter of freight rates? Is it possible that such interests, just having a semblance of a company here, giving 51 per cent to our nationals, entering into competition with indigenous concerns and thus put them into difficulties so far as overseas trade is concerned?

**Shri Sahukar:** By cutting down their rates, I would understand they would be cutting their own throats.

**Chairman:** But they have done so on some occasions.

**Shri Sahukar:** Ours is a sovereign Government, and after all, our Government would be in a position, so far as the company registered in India is concerned, to . . .

**Chairman:** They can control coastal trade, but so far as overseas trade is concerned, the Government of India have no control.

**Shri Vaidya:** In the past, competition has taken place in Indian coastal shipping when we did not have coastal reservation, between foreign-owned ships and Indian-owned ships. As far as the international freight market is concerned,

it is controlled by these conferences. So, when they reduce the rate for us, they would be reducing the rate for the American, British, Japanese and German ships also. They also will have to operate at a loss.

**Chairman:** You say that these rates, for instance between Calcutta and London, as regards any particular commodity are fixed by these conferences.

**Shri Vaidya:** Yes. All these decisions are taken by the conferences. So, there cannot be any competition between one set of companies and another.

**Shri Dhage:** The Indian Government will give all their cargo to Indian ships.

**Chairman:** That is another matter. It is not only Government cargo. There are other cargoes also.

**Shri Vaidya:** Let us take another analogy. If the Government of India is going to start an oil refinery and have its own oil company, we know there is an international cartel or monopoly in oil. If they decide to reduce the world oil price . . .

**Chairman:** That is absolutely another matter.

**Shri Vaidya:** That is not likely to happen unless they all decide to ruin us.

**Shri Sahukar:** And ruin themselves in the process.

**Shri Haji:** In the history of shipping, rate war has normally occurred only when somebody from outside wanted to enter a preserve. Rate wars do not normally occur just to spite each other.

**Shri Vaidya:** Between conference members and non-conference members, not between conference members.

**Shri S. K. Patil:** I do not say that you are not honest in the views that you have expressed, but do you really believe with your wide experience, knowing shipping as you do, knowing its ultimate control of any national Government in any emergency not to speak of war, that merely because there might be a chance of getting one or two directors more which hitherto they did not get, that this raising to 49 per cent is going to induce capital in such a measure—I am not talking of one or two—as to enable the Government, as you say, to fulfil its target?

Between the two, you have got to choose. You are depending upon the possibility of foreign capital which you feel would be coming to a certain extent or to the extent that would be agreed upon. But that might mean that you may be hurting a section of the shipping industry or the shipping interests who are exactly of the opposite view. Weighing the balance of advantages and disadvantages to the country, in the larger interests of the nation, would you still advise that this capital would be forthcoming in the manner in which you think it will be forthcoming?

**Shri Sahukar:** May I reply to this? I must make our position quite clear, that we have not the slightest intention of hurting any interests at all. We are looking at the problem entirely in the national interests, and we do sincerely feel that if the door is kept a little wider open for foreign interests, we may be able to get the required capital—both capital as well as the foreign exchange content—and thereby reach the target that we are aiming at.

**Shri S. K. Patil:** I am not making any allegations. Your services to the country are too great to make me suggest any allegation. I am not suggesting any allegation at all. Here are the two positions. You merely expect that if we make it 49 per cent, there is this possibility

that the foreigners may take part in the equity capital. As against that, there is a volume of opinion in this country among the shipping interests, which is of the opposite view. I am not talking of the opinion of anybody and everybody, for there are people who want not 25 per cent but one hundred per cent even, but I am talking of the opinion that is prevalent among some shipping interests, and they feel that their interests may be hurt. I am not saying that you are hurting them. But their interests are hurt. Therefore, when you balance the pros and cons of the position, do you still think—I am not saying that there is such a chance—that any Government which launches on a Plan like this could take that risk on the mere assumption that if we open the door a little more, a larger amount of capital would be forthcoming? Remember also that Government is controlling everything, including the profits that they may make. Would the foreigners, knowing everything, knowing that the Government of India or any Government for that matter would do this, rush with greater capital, even if we make the doors open a little wider, because we are giving them a few positions on the board of directors? For, they are not getting any genuine or real power; they will have to walk away any time we like. Should we take such a risk? Would you seriously advise us, the Government of India—I am merely asking for your advice; I am not saying anything in any critical manner—to take such a risk as to have our doors open for foreign capital to the tune of Rs. 6½ crores? That is the figure I have worked out here. Hon. Members of the Committee would also be interested in this.

According to present world prices, as Mr. Haji would know, the price more or less per ton—of course, nobody buys a ship of a ton's capacity; usually, it is worked out for 10,000 tons or so; but I have worked it out for one ton—comes to Rs. 1250. It works out of Rs. 1.25 crores for a ship of 10,000 tons, apart from taking

5 per cent or 10 per cent or some such figure. Therefore, even assuming that 2 lakh tons is the shortage in the present 9 lakhs tons—that is not so, but even assuming that it is so—it will cost us about Rs. 25 crores in ready money to meet the prices of new ships. According to Mr. Haji—and it is a correct thing that he has said—we have got to give 25 per cent; that means 25 per cent of Rs. 25 crores, that is, Rs. 6¼ crores. That is the foreign exchange component just now. Of course, the internal money would be quite substantial. But this will be the foreign exchange content. What I am merely asking you, because you are experienced people in this line—is whether for the prospect of this, we should open the doors so wide as to hurt the interests positively? At the same time, do you expect that in the interests of the nation this is a scheme that we should undertake?

**Shri Haji:** Is it your question that the foreigner will not invest any money in a shipping enterprise on the basis of 49 per cent, because there are so many controls and so on and so forth, and whether he would take the risk of coming to this country?

**Shri S. K. Patil:** I am talking of equity capital. Loan etc. is a different matter.

**Shri Haji:** To that, my reply would be that from our experience and knowledge of scores of other industries in which collaboration with the foreigners has been available, as in the matter of typewriters, ink, pharmaceuticals and so many other things, where capital is coming for these industries, I do not see why capital should not come for the shipping industry also.

**Shri R. P. Sinha:** Have you carried on any actual negotiations in this respect?

**Shri Vaidya:** There is a very important aspect of this question, to which I would like to make a reference. And that has been our experience in other industries. Shri R. P. Sinha

just asked whether we have had any negotiations. Yes, we have had negotiations, and we know that foreigners are willing to come, but they are not willing to come on the present basis, but they are willing to come on the revised basis.

There is another aspect of it, which is operating in other industries, and which is bound to operate in the shipping industry also, and it is this, that as the profitability in the particular industry, say, shipping in this case, in foreign countries goes down, the chances of foreign capital coming into our country where the profitability still remains are greater. The reason is that we can insist, and our Government by all means can insist, as the U.S.A. Government has insisted, that 50 per cent of our foreign trade will be carried on in Indian bottoms, that is, Indian ships. So long as that condition is imposed, the run of ships between Indian and foreign ports would be a profitable proposition, although there may be a recession in the world market—and that has happened in other industries where huge factories in foreign countries have been partially closed because the market for their products has gone out because of new developments; but in our country, the market for these things remains and their surplus funds are available for investment in our country today to develop those very industries which are finding it difficult to carry on in any other country, because in our country, the conditions are different, for, ours is an under-developed country. Government controls are there, of course, but the scheme of Government assistance is larger, because we want to develop our industries. And shipping industry is a necessary industry, for strategic reasons and for economic reasons; so, the profitability in this industry would remain.

Therefore, my humble submission, on the basis of our experience and our negotiations with outsiders, is that foreign capital would be coming in

on this basis. It may be 49:51 or 55:45, and that would depend on the merits of the case.

**Shri Akbar Ali Khan:** Do you think that foreign capital would be coming in in a substantial manner?

**Shri Vaidya:** Yes, to the extent that is required by us. As Mr. Haji has explained, we are not merely taking a short-term view of the 9 lakh tons, but we are thinking of the 25 lakh tons target to be achieved by 1966.

**Shri R. P. Sinha:** You have stated in your memorandum that we would get about Rs. 25 crores by way of foreign capital?

**Shri Vaidya:** Rs. 25 crores over the period that we have mentioned in it. We are quite confident of that. And we have had contacts with foreigners. So, it is not merely our guess. It is not our imagination, but it is based on our contacts.

**Shri R. P. Sinha:** Which are the countries that you are thinking of?

**Shri S. K. Patil:** For shipping?

**Shri Vaidya:** Even a country like Switzerland, which is not directly a maritime country, and which has surplus capital, is prepared to invest capital in our country.

**Shri R. P. Sinha:** Also Arabia?

**Shri Vaidya:** Yes, Arabia too.

**Shri S. K. Patil:** For shipping?

**Shri Vaidya:** Yes. For, they have got surplus funds and as the Minister knows it better than I do, in Switzerland today, money has been invested in buildings, because they cannot find a better way of investing their money.

Arabia has been mentioned. Then, we have U.S.A., Belgium and Japan.

**Shri Harish Chandra Mathur:** I have not been able to appreciate why the foreigners are not prepared to come on the basis of the present conditions, if, as has been stated by our friend there is such a profit, and there

is such a guaranteed business in India, and such a recession elsewhere.

**Chairman:** I think they have answered this question partly when they said that under the present condition, cent per cent directorate is Indian, whereas under their proposal, they require only a partial representation; the control will remain with Indians, but they will remain as the minority and look to their interests. That is their explanation.

**Shrimati Savitri Nigam:** What safeguards do you suggest to encourage our own one hundred per cent Indian national shipping industry as against cut-throat competition from foreign companies, that is, especially the newly formed shipping concerns with foreign participation.

**Shri Sahukar:** We do not anticipate any cut-throat competition. If they enter into cut-throat competition, then they are likely to cut their own throats.

**Shrimati Savitri Nigam:** But it has been suggested that they may come into competition.

**Shri Sahukar:** They may, but we do not think that there will be cut-throat competition.

**Shrimati Savitri Nigam:** What is your opinion about the suggestion that instead of 51:49, it should be made 60:40, so that there may be a stricter Indian control over the shipping industry?

**Shri Sahukar:** So long as there is a majority in our hands, the control is strict. It is in order to give them maximum inducement, that we are suggesting 49:51 ratio. Or, it may be a few per cent more this way or that way, but that would not matter. But we would certainly like to keep the majority control in our hands.

**Shri R. P. Sinha:** Kindly turn to appendix I of your memorandum, in which you have stated that 89 per cent of the private sector is owned by the shipping companies who are members of the Indian National

Steamship Owners' Association. This Association controls 89 per cent of the shipping tonnage in the private sector. But can we suppose that the other 11 per cent. of the shipping companies is represented on this Association? And this 11 per cent may consist of smaller ones. Do I presume that you are voicing the interests of the smaller people in the shipping industry?

**Shri Haji:** Those that are members of the INSOA have been indicated in the Table with double asterisks. Those that are left out number about seventeen and these are small companies which are not members of this Association.

**Shri R. P. Sinha:** Are they all members of your organisation?

**Shri Sahukar:** Not all of them, but only a few of them. Even the biggest company is also a member of our organisation.

**Shri R. P. Sinha:** What about those who are members of the INSOA? Are they members of your organisation?

**Shri Sahukar:** Not all of them. But the largest of them are our members. We cannot claim that all of them are our members.

**Shri Vaidya:** Even the members of the INSOA are our members. We do certainly represent the interests of the small man.

**Shri Dhage:** We have had the pleasure of listening to these gentlemen who have taken great trouble to come here. We thank them for it.

**Chairman:** I think we can conclude now. I must thank the witnesses for taking the trouble to come to Delhi and enlighten us in a matter of which, I may say, some of the Members are quite ignorant. In a difficult task like this, we very much value the experience of the members who have been directly in the line. Some of them have been practically the originators of the shipping business in India, and we are very much thankful to them for giving us their frank expression of opinion in reply to questions that have been asked by Members. It is not to be inferred that Members have asked them with any dogmatic approach; it is mostly for elucidation of facts that they have asked many questions. On behalf of the members of the Joint Committee and on my own behalf I thank them for coming and assisting us.

**Shri Sahukar:** On behalf of my colleagues and myself, I thank you and the Members of your Committee for giving us such a patient hearing, for one thing, and for another, extending to us the privilege of making our humble contribution to the deliberations of this Committee.

*(Witnesses then withdrew)*

*(The Committee then adjourned)*

THE JOINT COMMITTEE ON THE MERCHANT SHIPPING BILL, 1958

Minutes of the Evidence taken before the Joint Committee on the Merchant Shipping Bill, 1958.

Tuesday, the 8th July, 1958 at 10.00 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

*Lok Sabha*

Shri Liladhar Kotoki	Shri Mool Chand Jain
Shri S. Osman Ali Khan	Shri N. M. Wadiwa
Shri Harish Chandra Mathur	Shri Radha Raman
Shri Ram Dhani Das	Shri Shivram Rango Rane
Shri Ghanshyamlal Oza	Shri Raj Bahadur
Shri Raghunath Singh	Shri Hirendra Nath Mukerjee
Shri Nardeo Snatak	Shri K. T. K. Tangamani
Shri Tekur Subrahmanyam	Shri Rajendra Singh
Shri K. P. Kuttikrishnan Nair	Shri Ram Sewak Yadav
Shri K. Periaswami Gounder	Shri Aurbindo Ghosal
Shri Dinesh Pratap Singh	Shri S. K. Patil

*Rajya Sabha*

Shri Akbar Ali Khan	Shri Vijay Singh
Shrimati Savitri Devi Nigam	Shri Abdur Rezzak Khan
Shri J. S. Bisht	Shri V. K. Dhage
Shri Jethalal Harikrishna Joshi	Shri R. P. Sinha

DRAFTSMAN

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

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri Nagendra Singh, *Joint Secretary, Ministry of Transport and Communications.*

Shri P. R. Subramanian, *Deputy Director General of Shipping.*

Shri S. K. Ghosh, *Deputy Secretary, Ministry of Transport and Communications.*

SECRETARIAT

Shri A. L. Rai—*Under Secretary.*

## WITNESSES EXAMINED

The Indian National Steamship Owners' Association, Bombay.

**Spokesmen:**

Shrimati Sumati Morarjee  
Dr. A. Ramaswami Mudaliar, M.P.  
Shri Pratapsinh Shoorji Vallabhadass

Dr. N. P. Mehta  
Shri M. J. Buch  
Shri N. T. Khandwalla

*(Witnesses were called in and they took their seats)*

**Chairman:** Now we have before us the representatives of the Indian National Steamship Owners' Association. Shrimati Morarjee is the President and she will introduce to us the other members.

*(The other witnesses were introduced to the Committee)*

**Chairman:** Would you like to read out a further statement in support of the memorandum you have submitted?

**Shrimati Sumati Morarjee:** Yes.

**Chairman:** You may read.

*(Shrimati Sumati Morarjee then read out a statement, copies of which were circulated to members—Appendix.)*

**Shrimati Sumati Morarjee:** Now I would like to ask Mr. Mudaliar to supplement what I have stated.

**Shri Ramaswami Mudaliar:** If the Chairman and the members of the Committee want to ask questions, I would be glad to reply to them.

**Chairman:** If you have anything further to add to the statement of Shrimati Sumatiben Morarjee, we will be glad to hear that.

**Shri Ramaswami Mudaliar:** I would like to emphasize some points which are already covered by the memorandum. The first question in the memorandum is the question of enunciating a policy about Indian national shipping. Such a policy is enunciated in many of the Acts of other countries. The United States particularly has a preamble and a statement of policy in

the Mercantile Marine Act, which was adopted by the Congress in 1936.

**Chairman:** May I just intervene? Being a Member of Parliament, you yourself know that though previously we had preambles to the Bills, now that practice has been discontinued. So, against that background, do you again want to argue on that matter?

**Shri Ramaswami Mudaliar:** This is such an important matter and further a policy had not been laid down statutorily at any time. So, I feel it is necessary to make an exception with reference to preambles in this case. People should know, shippers should know, shipping companies must know what is the aim and object of the Government in developing this mercantile marine so that it can be brought to the notice of foreign companies, important ship owners. So I do put a certain amount of emphasis and attach a certain degree of importance to the statement of policy being contained in the preamble or the first clause of the Bill.

**Chairman:** If you make any broad declaration of policy in the preamble, if it is not incorporated in the main provisions of the Act itself, how will it help you? This is only a declaration of policy. Unless there is specific provision in the Bill itself, it may lead to complications as there will be conflicting interpretations by the law courts.

**Shri Ramaswami Mudaliar:** The policy statement will be the goal, the target.

**Chairman:** But if that declaration of policy is not incorporated in the main provisions of the Bill, how will it help you?



**Shri Ramaswami Mudaliar:** It will be a guide to the officers that you may appoint for the purpose of guiding Indian national shipping.

**Chairman:** You may proceed.

**Shri Raghunath Singh:** The boards are not bound by the preamble.

**Shri V. K. Dhage:** The witness is making out a case with regard to the advantages of a preamble being there. So, we need not consider the legality of it here. Even if we are not going to include it in the Bill, we should have the advantage of listening to his views.

**Chairman:** Certainly we shall listen to him. I referred to it because he, being a Member of Parliament, is aware of it.

**Shri Ramaswami Mudaliar:** I am quite aware with the background of over 40 years of legal training that a preamble does not bind any court and the courts do not take notice of the preamble. But preambles still continue to exist in most Acts in most countries. They have a purpose to serve. It is not meant for interpretation of any statute by the court. It has another purpose to serve. But I must leave it at that.

The second question, which the President of the Indian National Steamship Owners' Association has also touched, is about clause 12, the definition of "Indian shipping".

**Shri V. K. Dhage:** We are willing to listen to you on the point that you were just making as to why the preamble should be there. We would like to know what you have got to say about it.

**Shri Ramaswami Mudaliar:** That is an important consideration so far as shipping interests are concerned.

**Shri V. K. Dhage:** You can elucidate upon it.

**Shri Ramaswami Mudaliar:** I think I will leave it at that.

**Shri S. K. Patil:** He has already stated that it should be there.

**Shri Ramaswami Mudaliar:** In this connection, I will read the preamble and the policy statement, as contained in the United States Mercantile Marine Act of 1936. And I think it has been repeated in all the amending Acts. It says:

"An Act to further the development and maintenance of an adequate and well-balanced American mercantile marine to promote the commerce of the United States, to aid in the national defence, to repeal certain former legislation and for other purposes".

That is the preamble. Then it says:

"Be it enacted by the Senate and House of Representatives:

(1) **Declaration of Policy.** It is for the national defence and development of its foreign and domestic commerce that the United States shall have a mercantile marine sufficient to carry its domestic water-borne commerce and a substantial portion of the water-borne export and import of the United States and to provide shipping services on all routes essential for maintaining the flow of such domestic and foreign water-borne trade at all times, capable to serve as a naval and military auxiliary in times of war or national emergency, owned and operated under the United States' flag by citizens of the United States insofar as may be practicable and composed of the best quality of the safest and the most suitable types of vessels constructed in the United States and manned with the trained and efficient citizen personnel. It is hereby declared that the policy of the United States is to foster the development and encourage the maintenance of such a mercantile marine."

This is the policy statement, and it is reproduced in the memorandum also. Something on those lines, though not as exhaustive as that, I thought,

would be the guiding principle to those who are engaged in working the mercantile marine of this country, both on the side of the private entrepreneurs and the public sector and on the part of those officers or boards which may be established for carrying out certain policies of the Government in this respect. That is what I wanted to submit.

Now, regarding the second point, there has been some amount of controversy about the definition of "Indian shipping". The India shipping companies were most certainly surprised at the definition of "Indian shipping". Indian shipping can be owned by individuals. It can be owned also by companies. If an individual owns it, he must have 33 out of 64 carats, a majority shares. I leave aside for the moment the ownership of individuals. That can be discussed later. Then comes the clause that

"any Indian company, registered in India, can own Indian shipping under the Indian flag".

It is put as absolutely and clearly as that. Take the most extreme example. A foreigner can establish a company with 100 per cent capital in this country and can own ships and ply ships, registered at the registers in various ports in India, flying the flag of the Indian nation.

In the first place, there is no limitation to the area in which this Indian ship, as defined by me, owned by the foreigner can ply. It means that he can participate in the export trade of India. Only recently, as a matter of policy, the export trade was reserved to Indian shipping. By that, of course, we understand ships maintained by Indians, owned by Indians and managed by Indians. Now, the whole idea of coastal reservation at once goes overboard if we say that any foreigner, by the fact that he has registered his company in India and has brought the capital from his country to India, can do the same-

thing with reference to coastal reservation. Coastal reservation is made a mockery in that case, because the very foreign ships were carrying out the coastal trade previously. It is only a few years ago that Government restricted Indian coastal trade to Indian coastal ships. Now it is a reversal of the most extreme kind, and I do not know whether the implication of that was quite realised by those who drafted this definition.

Now, let us go to the foreign trade of India. I speak with some hesitation, but there is no vacillation in my opinion or any lack of conviction on my part. Indian shipping companies have entered the foreign trade of India only since independence. When 30 years ago the Scindia Steamship Company had one or two vessels going to U.K. and Continent, they were forced to withdraw the vessels. Our shipping companies have entered this foreign trade, i.e., carrying goods from India to any country abroad and bringing goods from that country to India only after independence. The two principal companies that are in that trade are, first and foremost, the Scindia Steamship Company and then the India Steamship Company. Our trials and tribulations, as my sister described, in entering into this trade and getting the membership of, what is called, the "Conference" need not be repeated at this table. We had a great many difficulties. We were never allowed to enter that trade. We were discriminated against by the rebate system which prevails in all conferences. Shippers were told that if they ship their goods, whether from India or to India, the rebate which they expect six months after earning the rebate would be lost and they would be put on the black list. We have only a few ships. We cannot guarantee that we could carry all that trade; much less can we have any opportunity of guaranteeing the reverse trade. Trade is a two-way traffic and in shipping, more than anything else, there cannot be hundred per cent guarantee of goods from one

country to another by national ships of that country. Even the powerful American Government, whose tonnage exceed that of any other country, have only stated that 50 per cent of American cargo, and that too foreign cargo, should be carried by American ships; 50 per cent, half the cargo. Now, in that state of affairs, we had to fight for entry into the Conference. We were admitted as associate members in 1949 and then, later, we became full members. Associate members can only appear at the table and argue. But they cannot vote. Full members can appear at the table, argue and also have a vote. It is true that we are in a minority; two votes against 30 other votes that are round the table. The conference is composed of several shipping companies of the United Kingdom, Germany, Holland, Scandinavia, France, Italy and so on.

Now, we have had difficulties enough to make our position clear or even to carry out Government instructions, occasionally given *sub rosa*, if I may say so not too openly, with reference to the case that we put before the Conference. Fortunately, the Indian National Steamship Owners' Association having come into existence, we could speak with one voice although we were two or three representatives at the Conference table. And it is necessary that the national shipping of any country should speak with one voice. I have attended the Conference from 1949. The last time I attended the Conference was on the 26th June at Brussels—I am just returning from there—and I can assure you that in every country the shipping of that country speaks with one voice. There is one spokesman. Or, if there are more than one speaker, they supplement each other's views; they never disagree with one another. It is the first important fact that has to be realised. What will be the position if all the shipping companies flying the Indian flag are also members of the Conference—I am speaking of the 100 per cent capital owned, foreign compa-

nies flying the Indian flag—what will be the position if they are also members of the Conference, as they are bound to be? Every shipping company is entitled to be a member of the Conference—provided they are admitted. They certainly will be admitted without any difficulty whatsoever. Can we expect that the voice of the Indian Steamship Company, in the Indo-U.K. Continent trade, will be fortified by the voice of the Mogul Line which is now existing, if it were to do overseas trade. Take any other foreign shipping company. Dutch or English.

**Shri Akbar Ali Khan:** Will they not be bound by the mandate?

**Chairman:** Let him proceed.

**Shri Ramaswami Mudaliar:** Will they speak with one voice and expound the same views openly and privately? Because, there are many discussions also in private.

**Chairman:** Could you give us some idea as to what are the main decisions arrived at at this Conference?

**Shri Ramaswami Mudaliar:** I will give you some of the decisions: lowering the freights on certain articles, ore for instance; not levying a surcharge on the cargo at some of our ports because there has been great delay in those ports; reducing the additional charges at some of the way-side ports or the principal ports, as we call them, like Kandla. Take this one question of surcharge. The Government wrote to me and asked me to go and represent—it is private, because it cannot be a governmental thing—to see that the surcharge is not levied. It was in 1956. I went to the Conference. We were both united. I gave all the reasons that I could put forward. I said that I was myself a member of the Vasisht Committee which looked into the question of the dockers—the principal question was about the dockers going slow—and I said it would be suicidal to the trade of the country and it would be considered almost a hostile, an unfriendly

act. I argued that this line should not levy this surcharge. They turned it down and said, "What about the American lines? They have already said that they would levy a surcharge of 40 per cent." And there are Dutch lines and all sorts of lines. And the Government said, "Will you proceed to America and try to meet the American shippers there?" I wrote to the Consul-General in New York. I requested him to arrange a meeting with the American shippers. I attended that meeting. There were twenty-two shipping companies. I again argued for two hours. I was subjected to a more terrible cross-examination than I hope I shall be subjected to in this Committee. And I am glad to say that I was able to wire to my Government to say that the Americans are also withdrawing the surcharge.

Do you consider that with the same wholeheartedness a foreign shipping company established in this country would argue for the removal of surcharge? It was in our own interests and of the Government and of the commerce and trade of this country.

Take again the question of differentials of freights for ports. In that Conference there is a recognition of what are called basic ports. Madras, Calcutta and Bombay are considered to be basic ports. And any other port is considered to be a subordinate port for which an additional will have to be levied. Their justification for that is: in these main ports we get enough cargo, we can go straight, but in the others it is scarce and therefore we have to make a special voyage and lose time and therefore an additional freight is desirable. For Kandla there is a 10 shilling additional to what is levied for Bombay or Calcutta. That is to say, if you pay 100 shillings per ton of ore for Bombay—now it is 60 shillings, it has been reduced, that is another story—but to take the same ore from Kandla you will be charged 110 shillings. In the last two years we have been pressing this point

again and again. The Chairman of the last meeting said "it is a hardy annual". My friend representing the Scindia Steamship Company said, "No, it is a hardy quarterly" because every quarter this meeting takes place; the annual one is a big Conference. So at every Conference we raised this. Last time we said, "Look, the Government of India has spent ten to fifteen crores of rupees in developing the Kandla port, but you say the facilities are not enough, the cargo is not enough". It is like the mad man wanting to have a wife. The facilities will not increase unless the shipping goes there, and the shipping will not go unless the facilities increase! We said it is a vicious circle which must be broken. I pleaded that the ten shillings should go. As a compromise they reduced it to five shillings. There has been case after case. We have not always been successful. But you will kindly recognise our position. We can make a nuisance of ourselves till they yield at least on something or the other.

No mandate of the Government will serve the purpose here. The mandate of the Government is only to the national lines. We have to obey that mandate. The moment I say "My government wants this to be done", the Conference is up against us. They say, "We are a commercial organisation, we cannot be dictated to by governments, we must look to the interests of the commercial organisations, it is a club looking after the interests of its members; from the commercial point of view you can argue; but there is no point in your saying that your government wants it to be done". Therefore, I cannot quote the Government's instructions at the Conference. They are a powerful body. If we have 30 per cent tonnage in our own hands to fight for, that is another case. But till that is reached, till a powerful mercantile marine fleet is built up, we have to undergo these humiliations—I have undergone some. They also

receive instructions from their governments. There is no doubt about it. It was clear as crystal during the Suez crisis that the Dutch, French and British had instructions from their governments. It is only a pity that our Government did not take us into confidence at all, but they gave me at least some instruction to carry cargo to Egypt notwithstanding the crisis—which we did, religiously and scrupulously at the instance of the Government, the orders having been communicated through the Director-General of Shipping.

In that position, again, I ask you to realise, while we are up against these foreign shipping interests owning and operating in our country, if they come to that table will they speak with our voice, whatever the mandate of the Government may be. At the most they will keep quite or say "we also support it" in a thin voice. Informal consultations do not bother; nothing will happen if they do not agree.

Let me go to the next question. It has been suggested: "Why should they not have 49/51, that is 51 per cent Indian and 49 per cent foreign; the position is changed; all the gloomy picture that you have painted so far does not apply; we have a majority of Indian share capital; we will have a majority of Indian shareholders; they will obey and everything will be rosy, above-board, clear; you have the line-clear, go on this basis; we will be having the advantage of earning foreign exchange and having the money which is badly required, and we shall be masters of the situation".

I appear to your practical experience. I am now talking of the industries established in this country on a 49/51 basis, that is 51 per cent Indian and 49 per cent foreign. Have we not realised that with the 49 per cent of block vote and with the 51 per cent of very much dispersed vote you can never gather the 51 per cent together, that you can never get all the Indian shareholders acting in one body whereas for the 49 per cent there is one nominee and one proxy given; and

if it comes to a showdown who, do you think, will have a majority at any shareholders' meeting including the election of office-bearers? You may say in some cases it has been done; the proportion of Indian and foreign directors has been settled and the majority should be Indian directors. But there are wheels within wheels. There are intrigues and intricacies which cannot be avoided and which on the surface will show a very pleasant picture. Are you certain that the majority of directors will be elected by the majority of Indian shareholders?

I may tell you of an industry which is established in our own country under the full supervision and control of Government, with the Commerce and Industries Minister dictating the policy, which has to be obeyed, with no foreign complication such as we have in the overseas shipping trade. The only thing we are having is that watching is possible and there may be some sort of control, though not as much control as possible. I am myself connected with some of these mixed companies. I have tried to safeguard them as far as possible. I myself happen to be the Chairman, with an equal number of Indian and overseas directors—in spite of the fact that the overseas directors, under the new liberalisation scheme, can have 66 per cent of the shares. I do not know what will happen if a strong Chairman is not there. This is about indigenous industries.

I am speaking in confidence to this Committee and I am telling you what is happening in this country. If this is so under the green tree, what would not happen otherwise? I ask myself, and I request every Member of this Committee to consider this question. It is a vital question. Our Indian Steamship Owners' Association is a club in these matters, so far at least as overseas shipping is concerned. We want complete mutual confidence in each other and we want it to result in unanimous decisions. We are able to get that by a policy of give and take. But when you introduce an

intruder, what happens? It may be an Indian representative of that company. There are many British companies who have a facade of Indian directors put up. We know what the result is in those companies. In this matter of life and death, which is a vital one and which is a second line of defence to the nation and the utility of which will be realised in times of crises, I beg of you very seriously to consider the question of any participation by foreigners.

It is true that under the present accepted policy of the Government, 75 per cent should be Indian and 25 per cent foreign. As has been explained, and as I hope every Member of this Joint Select Committee knows and realizes, this was a historic necessity. The two or three main companies existing at the time of Independence had Burmese and Pakistanis as shareholders, and one or two of them even had them as directors. We could not split up the organisation. We could not make them sell their shares and therefore you find the Policy Resolution making reference to this. And they say, while the ideal is to have 100 per cent Indian owned, managed and controlled shipping, for the time being let us fix it at 75 per cent. The ideal will be that. But we are willing at present to accept the past and to go ahead on that basis. That is what I would say as far as this particular matter is concerned.

Of course, there are other questions like loan policy or assistance. In every country the foreigner is excluded if there is such assistance. The United States is one of the classical examples, where foreign participation is not allowed. There is no foreign participation in the United States, though there may be provision in the clause "as far as practicable". The United States flag is completely owned by United States citizens; the British flag is completely owned by the British citizens, though they include dominion subjects and colonial subjects; the German flag is completely owned by German shipping. As I

said, the interests of national shipping are closely connected with national defence, and shipping forms the second line of defence.

Suposing there was a foreigner established in this country having ships. In the Suez crisis what would have been his policy? Therefore, I most earnestly suggest that this idea of getting foreign help may be reconsidered. After all, what is the foreign exchange that you expect to get. In the statement that was read by my sister, it has been pointed out that there are other industries which have got loans from foreign countries to expand. But in a key industry like this, we should not associate ourselves with the foreigner.

We have no objection to loans. What we object to is equity participation which gives them a control and direction in the matter of shipping. Further if it is realised that new shipping has to be started and that people who start new shipping may not have experienced of shipping, I do not know how in the earlier years they can avoid being dominated and controlled by foreigners.

Secondly, there has been much made about foreign exchange,—the difficulty of foreign exchange and our anxiety to increase the tonnage. Frankly, you have to put the advantages and disadvantages of these two positions, one against the other. It is essential to build up the strength of your Navy by getting foreign ships to show on the register an increased tonnage owned by foreigners? Is that advantageous to the country, or is it advantageous to proceed as we have been proceeding and build up a mercantile marine which is completely owned, and controlled by Indian shipping, under their management and necessarily under the control of the Government of India. This is the question that has to be considered. My own personal view is that—and I have also gone abroad and tried to see the reactions of many nations towards the problem that we are facing—I am

saying it with hesitation, but nevertheless with a sense of knowledge of the working of the mind of several people, both private and Government—our foreign exchange difficulties will not be as great in the near future as they seem now. They loom very large at present. But I am optimistic enough to think that these disadvantages will not continue for a long time. Why not wait a little and have as much shipping as possible built up, instead of opening the door wide to the influx of foreign capital, foreign control and foreign domination in a sphere of activity where for the last forty years at least we have been against these particular interests?

In my humble experience in administration there are three interests the domination of which was practically before us in a very acute form. I am referring to my experience as Member of Commerce, Industry and Supply for some time. The three interests which I thought of fighting in my own way were the oil interests, the insurance interests and the shipping interests. A world monopoly is most difficult to fight. We have done something about oil interests by having refineries here. We have tried to do something about insurance interests. Are we going to reverse the whole thing now with reference to shipping interests, which are as big and dominant a monopoly as ever, whose ravages we have felt, whose autocracy we had to fight against both during the war, before the war and since the war? Are we going to allow this interest to dominate?

I do not want to appeal to sentiment. I am merely putting practical views before you. Please do not think I am here to orate. I feel strongly on this point and therefore I speak not merely for myself, but for my associates. You may take it that the Scindia Steam Navigation Company will fall or rise by its own resources and by the help of the Government and will not have at any time foreign interests included in it. You may take it that the company I represent will do the same. We have

expanded. The Scindias have got fifty-six ships; the gross tonnage is given there. We started after the war and we have from zero come up to 110 gross registered tonnage; 40 gross registered tonnage will be built in the next two years. We have hope of having another 20,000 GRT by 1960 with a little help from Government, which brings us to over 170,000 gross registered tonnage, for overseas sailing alone.

We talk of foreign exchange earnings. The foreign exchange earned by these people will go out of the country because under the assurances that Government have given, their profits can be repatriated and their capital can be repatriated. What you gain by getting foreign exchange now in the form of ships, you stand to lose steadily year after year, in the form of annual drain of foreign exchange and ultimately the whole of the foreign exchange, and even more when they want to close their concern and go back. On the other hand, as has been pointed out a ship in an Indian Shipping Company's hands begins to earn foreign exchange from the date it is on the seas. From that time when we bring cargo, or take the cargo, in both directions, we earn foreign exchange. It has been calculated that the two Indian shipping companies have earned last year over Rs. 9 crores worth of foreign exchange. We have been pleading that if only a part of that foreign exchange is given back to us we will increase the number of our ships. We have shown the entrepreneur's spirit, a spirit of adventure and a spirit of risk. We have shown that by expanding our tonnage. In regard to our future purchases we want the freedom to earmark the earnings for expansion of tonnage. We have gone so far. This may be made applicable to ships ordered and delivered from 1st January 1956. They have conceded to the proposition in regard to future ships. Even so we have hopes of expanding. If the proposal we are making, that Scindia is making is approved, we hope to have foreign exchange for further expansion of

our shipping. We are fairly confident that if not within 1960, within a year or two thereafter, this 900,000 tons target will be easily reached.

**Chairman:** What is the amount of foreign exchange that is required considering the fact that now foreign ships can be had at 25 per cent cash down and the balance to be paid on deferred basis?

**Shri Ramaswami Mudaliar:** That is a fact and arrangements have been made on the basis of deferred payment for purchase of second-hand ships. Arrangements are also being made for new buildings on the basis of deferred payment.

**Chairman:** How much foreign exchange do you require to fill up the gap?

**Shri Ramaswami Mudaliar:** Immediately, or in the long range?

**Chairman:** By the target date, by the end of the Second Five Year Plan.

**Shri Ramaswami Mudaliar:** Thirteen crores of foreign exchange.

**Chairman:** 25 per cent of it you have to pay now at the time of the purchase and the balance you can pay later on from the earning of the ships.

**Shri Ramaswami Mudaliar:** I have got a proposal which I have communicated to the Director-General of shipping that even 25 per cent of foreign exchange is not necessary. Rupee capital may be deposited with a local bank here and the ships will be delivered by 1960. Government should guarantee the repatriation of that capital from 1961 onwards in three or four instalments. There are half a dozen ways in which we can increase tonnage. We have been breaking our heads over that. We have realised the difficulties of Government; we are not oblivious to that.

**Chairman:** The tonnage required to fill up the gap is 9 lakh tons. To purchase that you require Rs. 13 crores. For payment of 25 per cent cash you require Rs. 3 or 4 crores.

**Shri Ramaswami Mudaliar:** Then the ships begin to pay by themselves. This is the first proposition. The second is you pay rupee capital into a bank nominated by the builders. Let it earn interest there. You begin your deferred payment from 1961. The exchange that Government will have to guarantee for this will be what is to be paid minus what we earn.

**Chairman:** What I am driving at is this. From the literature supplied to us we find that a Shipping Development Fund has been recently created with seven or eight crores of rupees.

Then there is the interest payment by the companies who have taken loans. That interest which would be paid will be utilised for the purchase of ships.

**Shri Ramaswami Mudaliar:** This is all in rupees. Further, there are the instalment payments which have become due and which the companies are paying apart from the interest.

**Chairman:** Then, your own Depreciation and Development Fund is also there.

**Shri Ramaswami Mudaliar:** Those are our contributions towards the building cost.

**Chairman:** So, on that basis, I do not think it is a very difficult task to face.

**Shri Dhage:** The first point is that so far as the rupee capital is concerned, the money is there. The only thing is with regard to foreign exchange. He made two points; one was 25 per cent basis and the other was raising foreign exchange on the security of the rupee capital deposited in banks in India. Is that correct?

**Shri Ramaswami Mudaliar:** Yes; that is a purely business proposition.

**Shri K. Periaswami Gounder:** As far as coastal shipping is concerned, if it is reserved for our ships, then, I think, you have no objection.



**Shri Ramaswami Mudaliar:** That is what it is now. But the Act does not make any such distinction.

**Shri K. Periaswami Gounder:** Even otherwise, I think you have no objection.

**Shri Ramaswami Mudaliar:** That portion of my objection is removed; not the whole of it.

**Shri K. Periaswami Gounder:** You said something about something being paid in Indian capital—in Indian currency—and the earnings of the ships contributing a portion of it. Do you mean to say that, when you pay 25 percent and 75 percent has to be paid by deferred payment, the earnings will meet that 75 per cent? Can you earn so much?

**Shri Ramaswami Mudaliar:** In course of time we would; but not for the instalments that are due. Therefore, I said Government will have to pay the instalments due in foreign exchange from the earnings we make from year to year—from 1961 onwards.

**Shri K. Periaswami Gounder:** Are you sure that the deferred payment of 75 per cent could be met by your earnings?

**Shri Ramaswami Mudaliar:** A good portion of it could be met out of the earnings if the previous earnings are any indication at all. This year the two companies have earned Rs. 9 crores of foreign exchange according to the calculations that the Finance Department have made.

**Shri Vallabhdas:** Several companies have got ships on deferred payment terms on self-earning basis. Payments of instalments will be made out of the earnings of that particular vessel.

**Shri Ramaswami Mudaliar:** I am talking of new ships. Therefore, I am as little hesitant about the total amount of foreign exchange. If it is a second-hand vessel, I will say we will pay ourselves. That is the difference between the two views.

**Chairman:** You can pay if you go in for second-hand ships; is it?

**Shri Ramaswami Mudaliar:** Provided the initial deposit is made or Government guarantees the payment.

**Shri K. Periaswami Gounder:** Supposing there is an Indian company. What percentage will you fix in foreign exchange so that the company may be saved from foreign exchange trouble? Would you fix any proportion?

**Shri Ramaswami Mudaliar:** I would go so far as 100 per cent. But the maximum I would go to is 25 per cent foreign exchange and 75 per cent indigenous. That is the maximum.

**Shri T. Subrahmanyam:** Now there is a buyers' market so far as shipping is concerned. Even against the deposit in Indian banks you can purchase foreign ships.

**Shri Ramaswami Mudaliar:** I did not say that. I was referring to a particular proposal for new building—deposit in an Indian bank and guaranteeing of foreign exchange being paid over three or four years—from 1961—by Government. Second-hand ships are not got on that basis. They want something down and they may not require rupees.

**Shri T. Subrahmanyam:** In view of the fact that we want the Indian tonnage to be increased to 2 million or so by 1966 and the fact that you think you can be able to reach that target if there is sufficient foreign participation, say in the proportion of 60-40 or 55-45, would it be possible to do that? The buyers' market may not persist after 3 or 4 years. It may be only a temporary phase.

**Shri Ramaswami Mudaliar:** This is very complicated. There is a buyers' market; there are ships offering. But the ships offering may not suit me at all. Why do we go and build new ships? Why do we want 17 or 18 knots? When I travelled by the P. & O. Mail steamers, it was only 16 knots. Before the War there were only

one or two ships with 18 knots. But today even for cargo ships we want 20 knots. It is a continuously expanding and developing process. Speed is the order of the day. We are in an age of speed. To buy one million tons of second-hand ships of 12 to 14 knots would not be advisable. I won't touch a Liberty ship—you will excuse me—if I am deemed to be building a real mercantile marine, for the country. Therefore, let us not go by this class only. Do not run for those things that are coming cheaply in the market. Therefore, to think of one million tons of our shipping by going in for second-hand shipping is a dangerous idea which only those who have no experience with shipping will entertain.

**Shri T. Subrahmanyam:** So you feel that there should be no rigid condition like that. I agree that you should take no risks in the matter and that you should have completely Indian shipping, manned and controlled by Indians. That is preferable to any advantage.

**Shri Ramaswami Mudaliar:** Absolutely.

**Shri Akbar Ali Khan:** By your long experience and your knowledge as an expert.....

**Shri Ramaswami Mudaliar:** I must say I must disown being an expert. I am only talking from 15 years of experience and before that for 6 years as the Minister in charge of Shipping.

**Shri Akbar Ali Khan:** We are laymen, at least compared with you. The Policy Committee laid down a 2 million ton target and they also expected that it would be completed by 1956. May I know what are the reasons for this target not being fulfilled?

**Shri Ramaswami Mudaliar:** The reasons are obvious. The local resources—the rupee resources—when foreign exchange was freely available were very limited. It was only in 1953 October, that a turn for the better came with the policy statement of the

then Transport Minister, Shri Lal Bahadur Shastri who said that Government will give loans at fairly cheap interest for ships that will be used on the coast and for ships which will be used overseas. The next month all of us took advantage of that. The first two orders that we gave for two ships to be built of 17 and 20 knots were taken up in December by having experts over here. I think shipping has expanded because of this one facility that the Government gave no subsidy, no operational subsidy, no building subsidy, nothing of that kind—merely the low interest of 4 per cent so far as coastal shipping was concerned and 2½ per cent so far as overseas shipping was concerned. Now they have made it 3 per cent for all. I accepted because I am mainly concerned with overseas shipping and because I will be in good company with my friends in coastal shipping. They will also get one per cent reduction. If that percentage is to continue we will see that Indian shipping expands. Beyond that there was nothing done. There was no policy of giving cargo etc. It was haphazard. It was after 1953, largely due to the help of the Transport Ministry and the Secretary to D. G. of Shipping that this progress was possible; and the figures will show how we have expanded from year to year.

**Shri Akbar Ali Khan:** Is the policy of Government much different from what it was before independence?

**Shri Ramaswami Mudaliar:** There was no policy in the pre-independence days.

**Shri Akbar Ali Khan:** What I want to understand is this. Having conceded government help on those lines, will the finances of the private sector be enough to reach the target, or will financial help also be needed from Government?

**Shri Ramaswami Mudaliar:** Both together. The proposal is that the shipping company pays so much of the

cost of a new ship and the Government pays so much—the proportions are fixed—and the private sector contributes out of the profits every year. On that basis, I am sure shipping will expand still further. We have got a proposal to that effect. And, I can assure you that, as far as possible, in a cautious way, having regard to the sort of best tonnage for the country as the Preamble here says, we shall expand ourselves. It is speculation to go in for all sorts of cheap ships. All these Liberty ships will have to be scrapped in less than 4 years; then what are you going to do?

**Chairman:** I understand that in the recent past the practice has been 50-50; private industry contributed 50 per cent and Government 50 per cent.

**Shri Ramaswami Mudaliar:** Yes.

**Shri Vallabhdas:** To start with Government agree to give 66  $\frac{2}{3}$  per cent loan on acquisition of additional tonnage. Thereafter the policy was further liberalised and, in certain cases, Government came forward with the help of 90 per cent loan for building new vessels.

**Chairman:** What is the present position?

**Shri Ramaswami Mudaliar:** That is in a state of suspended animation, if I may say so.

**Shri Raj Bahadur:** It is complete execution. All the Rs. 37 crores have been completed. I should say consumption.

**Shri Ramaswami Mudaliar:** The amount set apart in the Second Plan has been exhausted much before the Second Plan period.

**Shri Akbar Ali Khan:** We had allowed 25 per cent foreign capital.

**Shri Ramaswami Mudaliar:** As I said, 25 per cent was a historic necessity. All foreigners knew that and 70 foreign capital has come in.

**Shri Akbar Ali Khan:** If you give concession to foreign capital, say 49 per cent or 40 per cent with majority control in our hands, will there be more influx of foreign capital?

**Shri Ramaswami Mudaliar:** If there is any such expectation, why change the present position? That answers itself.

**Shri Akbar Ali Khan:** Government estimate may be correct or not. I want to know your experience. Have you got very genuine fear that there will be great influx?

**Shri Ramaswami Mudaliar:** The genuine fear is that control will not be in Indian hands even though there are more Indians on the Board.

**Shri Akbar Ali Khan:** My question is whether the foreign companies will come in.

**Shri Ramaswami Mudaliar:** I will tell you one example. The Dutch have lost Indonesia. They have a very big fleet. I have heard rumours in the Continent recently that the Dutch are trying desperately to get into sort of ropes. Indonesia will not allow any of the Dutch ships to go there. They have lost that trade. They are thinking whether those ships can be registered anywhere else.

**Shri Akbar Ali Khan:** So far as this control is concerned, don't you think that there will be a definite difference between the control that could be exercised by a board and the control exercised by a department?

**Shri Ramaswami Mudaliar:** What sort of control are you referring to?

**Shri Akbar Ali Khan:** Control over the affairs of the shipping industry on all matters.

**Shri Ramaswami Mudaliar:** Ships are on the wide seas. It is not like an industry which is inspected by the Inspector of Factories and so on in the land. It is a different sort of control. The controls are mentioned in the Bill before us, and that limits the control of the Government also.

**Shri Akbar Ali Khan:** That danger will be there even if it is financed cent per cent by the Indian shipping being on the high seas.

**Shri Ramaswami Mudaliar:** If any thing goes wrong, we can be taken to task at any time.

**Shri V. K. Dhage:** We were told that ships on the high seas cannot be controlled, whether it is cent per cent Indian or not. Therefore, it matters very little as to how much percentage is foreign capital.

**Shri Ramaswami Mudaliar:** My answer is this. This is a very abstruse question which experts can answer. But, as a lay man, I say that it will immediately mean a war between the two nations.

**Shri Akbar Ali Khan:** Are you of the opinion that if nationalisation takes place then there will be fuller control over the shipping industry.

**Shri Ramaswami Mudaliar:** So far as I know, nationalisation of shipping has not been done by any country in the world and I would expect the Government of India, as it is composed now and as it is expected to be composed for the next 25 years, will think of nationalisation of shipping as the last desperate resort.

**Shri Akbar Ali Khan:** I put this question in view of the emphasis that has been given to shipping by the army and the navy and in view of it being a key industry. I want to know whether it will not be in the best interest of the country if the whole thing is taken up by the Board.

**Shri Ramaswami Mudaliar:** That is a matter of opinion.

**Chairman:** How can the witness answer that question. Besides, it is not strictly relevant to the provisions of the Bill.

**Shrimati Savitri Nigam:** Is it not a fact that in 39 countries have allowed foreign participation along with indigenous capital in their legislations concerning shipping industry? Why is it that they are not afraid of foreign capital or foreign influence? Further, there are many other important national industries in our country in which the foreign participation has been invited. But no such fearful results as foreign domination or control have ever been noticed. So, this

fear of foreign participation seems to be based on prejudice or suspicion.

**Shri Ramaswami Mudaliar:** It is not a fact that 39 countries are allowing other nations to invest in their country and fly the national flag. In the first place, I do not think 39 countries have any mercantile marine of their own. I have attended the mercantile marine conferences and I know it is not a fact. Secondly, as regards the latter question, I have answered it, practically elaborately, in my statement.

**Shrimati Savitri Nigam:** If the arrangements just now suggested by you will bring the necessary or required progress for covering overseas trade and buying ships on instalment basis without involving any foreign exchange—that arrangement can be tried in connection with building new ships also.

**Shri Ramaswami Mudaliar:** I have said that arrangements can be made for both.

**Shrimati Savitri Nigam:** At present only 6 per cent of our trade is covered by Indian shipping and so we have to lose about Rs. 154 crores every year in the form of freight. What immediate remedy would you suggest? Don't you think that the present speed of progress is detrimental to our country?

**Shri Ramaswami Mudaliar:** I have suggested various remedies to the Government from time to time. Let me tell you of one remedy that I have suggested. In 1949-50 when Mr. Munshi was the Minister in charge of Food we were importing large quantities of food, paying Rs. 16 crores as freight and so on. I said that our shipping companies are willing to get these ships. "You are now at the mercy of the charterers. They can charge you anything. If you have a nucleus of ships of your own, then you can break the monopoly and then we can get them leisurely. Please get two ships. We will buy the ships in the course of 4-5 years. At present we have not got enough

resources, as the capital market is very dry." This was enthusiastically taken up by Mr. Munshi. But it crashed with the financial rock in the Finance Department.

**Shrimati Savitri Nigam:** Don't you think that the difficulty of foreign exchange is still there? Don't you think that Government will not have the capacity to give you that amount of foreign exchange which you still need?

**Shri Ramaswami Mudaliar:** I told you the ways and means by which that difficulty can be got over, at least to some extent. I would prefer building up our tonnage than getting foreign exchange of equity participation by foreigners, jeopardising the whole of the mercantile marine of India.

**Shri Radha Raman:** We are grateful to you for the information that you have today given us. I have one or two questions. You told us that there is no harm in waiting for some time and not taking advantage of the slump in shipping. The present market rates are very favourable. It may be, as you say, that some of the ships are rather out of date. But, don't you think that because of the slump in the market in some countries for shipping cargoes, there are quite a large number of good second-hand ships which we can buy at favourable prices and thereby attack the problem?

**Shri Ramaswami Mudaliar:** I have given my personal opinion. But there are colleagues of mine who will purchase ships on that basis. Each has to calculate his own risk and the prospect of profit. If there is a ship which was built 4-5 years ago and it is offered at a cheap price, I will go in for it. But if the prices of new ships are going to fall or are falling, I will go in for new ships. This is my personal opinion. But I have no objection to purchasing second-hand ones, as indeed some of my colleagues have done in the foreign markets.

**Shri Raghunath Singh:** Now Pakistan have bought certain ships—it came in the papers today.

**Shri Ramaswami Mudaliar:** They are all Liberty ships, more fit for scrap than for anything else. We can congratulate ourselves on Pakistan buying those ships. They will not be a formidable rival to us. They are very old ones. They were offered to some of us, but we rejected them.

**Shri Radha Raman:** As you yourself said, some of these ships can be bought at cheaper prices. If ships of the ideal tonnage are available, and if they are of 12 or 15 knots in the present world of speed, they should be purchased. But don't you agree that there are quite a large number of ships available in the market today at favourable prices and if we buy those ships, it will rather help us in expanding our shipping in the country?

**Shri Ramaswami Mudaliar:** If you can buy it with the resources of our Government, without foreign equity capital coming in, that is to say, if you can buy it with foreign loans or on deferred payment terms, I would welcome it. But if it is at the risk of foreign participation in the share capital above 25 per cent, I think the risk of that is much greater than the advantage of having the tonnage.

**Shri Radha Raman:** If the prices go up, then we will have to pay more. Will it not affect us?

**Shri Ramaswami Mudaliar:** The prices will go up and come down. In 1950 the prices were like the present prices. At that time we had the exchange also to buy these ships. But we did not buy.

**Shri Radha Raman:** We are all anxious that before the Second Plan is over, we should be able to meet our target of shipping. Now, the targets were fixed on the basis of our foreign exchange difficulties and the overall resources available. We now feel that the target may be increased in view of the fact that our country needs speedier expansion. You have stated that by getting foreign exchange on loan or on deferred payment we can meet the target. But now there is a

feeling that the target should be increased in view of the growing needs of the country.

**Shri Ramaswami Mudaliar:** We always talk of pruning the Plan and the "hard core" of the Plan. I think we should be content with our target, in view of our difficulties. We cannot think of expanding beyond that at the present time in view of our foreign exchange difficulties. But if we can expand, we will only be too glad to have it. The shipping companies always wanted the Government to put more money into it. Now it can only be done by foreign participation by way of equity capital, which, as I said, is a dangerous thing.

**Shri Radha Raman:** Mr. Mudaliar has stated that in U.K. and the United States, although foreign participation is permissible under some clause, in actual practice it never exists. Are there other countries which allow foreign participation and have very rapidly expanded in shipping?

**Shri Ramaswami Mudaliar:** Countries which have already sufficient experience of shipping, if they do that, that is a different matter. Here is a statement, according to a Survey conducted by the United Nations (p. 126) of the countries which do not allow foreigners as individuals to own their national shipping—U.S.A., U.K., Norway and so on. And page 127 gives the countries which insist that the Board of Directors and Management should consist entirely or predominantly of nationals of the country. This is there in many of the countries.

**Shri Osman Ali Khan:** While it may be possible for us to reach the target of 9 lakh tons as visualised in the Second Five Year Plan by adopting one of the alternatives suggested by you, may I know your view whether we will be able to reach the 2 million tons target by 1966 at least and whether we will be able to get the necessary finance, both internal as well as the foreign exchange?

**Shri Ramaswami Mudaliar:** It depends upon the foreign exchange position.

**Shri Osman Ali Khan:** What about the internal finance?

**Shri Ramaswami Mudaliar:** It will be available. There are many applicants now coming forward. From that you will see that there is internal finance. The question is only of foreign exchange. Shall we have that foreign exchange by having participation of foreigners or depend upon Government getting it on deferred terms?

**Shri Osman Ali Khan:** Particularly new ships?

**Shri Ramaswami Mudaliar:** But those ships will last thirty years.

**Shri R. P. Sinha:** Sir, I have great regard for my friend Shri Ramaswami Mudaliar. But I would like to ask him one or two questions. First of all, what is the sanctity behind this 25 per cent. and 75 per cent? Is it just arbitrary or is there some reason behind it?

**Chairman:** He has already stated that.

**Shri R. P. Sinha:** What is the sanctity behind it? He said "I can concede a 25 per cent foreign participation". What is the sanctity behind that?

**Shri Ramaswami Mudaliar:** I have already said that this 25 per cent was a historic thing. And having got that, I feel we cannot go beyond that. And secondly, there are more chances of a real majority control of India if the basis is 25/75. If that is narrowed down, all the fears that I have expressed are much more likely to come true. And I said that my own views will be 100 per cent. But if that cannot be done, let us at least stick to what has been settled now.

**Shri R. P. Sinha:** So I think my friend is suggesting that if we are sure of a majority control over the management, then we can take the risks of foreign participation. Is it not?

**Shri Ramaswami Mudaliar:** Yes, if there is effective majority control—real also.

**Shri R. P. Sinha:** So the question is that so long as this Committee can ensure that the Indian nationals will have an effective management control he will not mind foreign participation.

**Shri Ramaswami Mudaliar:** I cannot conceive of this Committee ensuring any such thing. If I were sitting on that side I would disown any such responsibility.

**Shri R. P. Sinha:** That is for us to decide.

**Shri J. S. Bisht:** In paragraph 23 of the memorandum submitted by the Indian National Steamship Owners' Association they have given the reasons and explained what effective control means.

**Shri Ramaswami Mudaliar:** In the light of the provisions of the Companies Act it is explained.

**Shri V. K. Dhage:** That is for joint stock companies. What about the individual ones?

**Chairman:** He says that if it is only 25 per cent he can be sure of effective control.

**Shri Ramaswami Mudaliar:** At any rate I can take the risk.

**Shri R. P. Sinha:** Sir, the witness has said that what he wants is effective control over the management. He does not want to define it as 25, 35 or 40 per cent., but he wants effective management control. He knows that we are not legislating this measure with a limited view for fulfilling the target of the Second Five Year Plan but that it is also our view that we should achieve the physical objectives set by the Shipping Policy Committee, that is to say that at least 50 per cent. of our overseas trade should be carried on Indian bottoms, and 100 per

cent of the coastal trade. We know what our foreign exchange resources are and also what our internal resources are. I will further say that whatever foreign exchange is concerned, whether it is relating to shipping or any other interest, that belongs to the national pool and no industry as such could claim that it should get back this foreign exchange for the purpose of its own development. It is for the Planning Commission to allocate these national earnings of foreign exchange. And the Planning Commission has said that Shipping will not be in the hard core of the Plan. We again say that 90 per cent of the internal resources the Government have to provide. Then the Government have to guarantee the rest of the foreign exchange component for developing any industry. If that is the position, and also if capable talents are available to the Government for managing the show, what is the harm if we take advantage of the situation; and will the witness agree that all the Shipping should be developed under the aegis of the Government itself, that is in the public sector?

**Chairman:** That point has already been answered. That is not for the witness to say.

**Shri R. P. Sinha:** I say if even the internal resources are forthcoming.

**Shri V. K. Dhage:** He said that he is opposed to any kind of nationalisation because it does not exist anywhere.

**Chairman:** These are comments for us to consider here or in Parliament. The witness is not competent to say anything on that; he is appearing here on behalf of the private industry.

**Shri R. P. Sinha:** Well, Sir, I would like to put a few questions to him as a layman because I am not aware of the working of these Conferences. I would like first of all to know whether on the Conference the countries or the companies are represented.

**Shri Ramaswami Mudaliar:** The companies are represented.

**Shri R. P. Sinha:** And not the countries. So the more companies there are in a country, the more advantageous it would be, and greater voice and greater majority they will have. Is it not?

**Shri Ramaswami Mudaliar:** It does not exactly work that way. There is no ballot box and no division lobby in the Conference.

**Chairman:** The question is, what is the basis of representation?

**Shri Ramaswami Mudaliar:** Every company can be represented. Every company is represented, not the country.

**Chairman:** His question is that if there is a larger number of companies it would be more advantageous, the more the merrier.

**Shri Ramaswami Mudaliar:** As I said, the votes are not counted like that.

**Shri R. P. Sinha:** What I could gather from his statement was that only two companies are going at the present moment.

**Shri Ramaswami Mudaliar:** In that particular Conference.

**Shri R. P. Sinha:** The point is clear that if we have a larger number of companies, if we expand our tonnage, then we will have more membership and more strength on the Conference.

**Shri Ramaswami Mudaliar:** More members I agree, but not more strength.

**Shri R. P. Sinha:** The numbers give you the strength, is it not?

**Shri Ramaswami Mudaliar:** No, that is not exactly so.

**Shri R. P. Sinha:** The tonnage gives you the strength.

**Shri Ramaswami Mudaliar:** There are many difficulties. You cannot have too many members on one particular trade from one country.

There is a limit to the number of Indian companies which can be on that trade—because they will be merely cutting each other if a dozen companies are on the U.K.-India trade. On one Conference itself you cannot have twelve companies with the Indian flag. Secondly, they all speak with one voice.

**Shri R. P. Sinha:** Either the number counts—as the Chairman said, the more the merrier—, or whatever be the number, the representation remains more or less restricted. That is to say, whatever may be the number of companies registered in India, the representation will remain limited. Or, if the companies registered increase and if the tonnage increases, then there will be more number and more voice on the Conference. These are the two propositions. Is it not so? Now, I would like to know whether the voting or the procedure.....

**Chairman:** Are there any articles of association of this Conference?

**Shri Ramaswami Mudaliar:** No, they are well understood rules.

**Chairman:** Are they printed rules?

**Shri Ramaswami Mudaliar:** Yes, I will send a copy to you.

**Chairman:** I think that will give us the information.

**Shri R. P. Sinha:** I wanted to know whether the decisions there are taken by the vote of the companies or the vote of the countries.

**Shri Ramaswami Mudaliar:** Virtually by the vote of the country.

**Shri R. P. Sinha:** Therefore, the number does not count really, Sir.

**Shri Ramaswami Mudaliar:** My friend has come to the conclusion which I stated five minutes ago that the numbers do not count, though they are all admitted as members.

**Shri R. P. Sinha:** If we have an effective majority control and that is assured, the question of foreign participation in our representation on the



Conference does not arise. Then we can send such nationals who can speak with one voice at this Conference.

**Shri Ramaswami Mudaliar:** I am here not to be tripped over questions. I am here to state the fact that I cannot agree that the majority effective control will be there if there is 49/51 or 37/63 participation. I will take a risk with 25/75. Lower than that I cannot agree. There is no use telling me, "Suppose you are guaranteed that there will be effective control why don't you agree to 100 per cent?" My view is that you cannot have effective control. From practical working I say this.

**Shri Mool Chand Jain:** You said that there are half a dozen ways of increasing tonnage. So far as I have understood only one or two methods had been described. Can you tell us the other ways of increasing the tonnage?

**Shri Ramaswami Mudaliar:** Some have arranged on deferred payment basis, with initial payment; then there is the deferred payment system without initial payment; then there is the system of rupee deposits and deferred system of foreign exchange. For second-hand vessels there is one method; for new buildings there is another method. Some have mortgaged their vessels for getting money.

**Shri Mool Chand Jain:** Supposing Government nationalises the industry. Will you be opposed to it? Supposing Government forms a Corporation, what is the objection to it?

**Shri Ramaswami Mudaliar:** I do not see any difference between the private sector and the public sector in this matter, where both of us have to face the Conference. You will call my friend Mr. Saksena, who is in charge of the public sector—The Eastern Shipping Corporation—and ask him what his experience in the Conference is. He will tell you the same story that I have told you. There is no distinction. I have no

objection to nationalisation; I have no objection to the public sector expanding and taking routes which are not covered by the private sector so far. In fact we have been repeatedly told by the Minister of Transport that the public sector will not come into competition with established lines. Let them expand by all means. This is perhaps the only industry where the public sector and the private sector can exist side by side. But even in the public sector 51:49 I will never accept. At present we have to work with a certain amount of foreign personnel. Whom do you think the Master will obey? There are many complications in the shipping trade. We cannot say all these things because it will prejudice our case and it will become very difficult for us.

**Shri Harish Chandra Mathur:** What is the total tonnage raised and investment made by the private sector during the last seven or eight years and what part of this is represented by the new entrants in the trade?

**Shri Ramaswami Mudaliar:** There are very few new entrants in the trade during the last seven or eight years.

**Shri Harish Chandra Mathur:** What is the amount invested since 1950?

**Shrimati Sumati Morarjee:** Rs. 44 crores has been put in by the private sector.

**Shri Harish Chandra Mathur:** The general impression that has been left is that it is only about 25 per cent which has come from the private sector.

**Shrimati Sumati Morarjee:** No, Rs. 44 crores have been invested.

**Shri Harish Chandra Mathur:** As against how much put in by Government?

**Shri Vallabhadass:** The total investment is Rs. 59, of which Rs. 44 crores is contributed by the private sector.

**Shri Ramaswami Mudaliar:** The total amount of Rs. 37 crores includes the amount of Rs. 20 crores given to

public corporations. So, the amount given to private sector is Rs. 17 crores.

**Shri Harish Chandra Mathur:** In view of the fact that during the last seven or eight years there has been no new entrants, would it be correct to assume that it is only on those who are already in the trade that we will have to depend for increase in our tonnage? Generally speaking, do you think it will be correct to make that assumption?

**Shri Ramaswami Mudaliar:** I do not think so. It is not a closed shop. I see signs of others coming in. The burden of expanding lies today on those who are already in the line and who are earning foreign exchange and therefore have got better facilities than new-comers. New-comers can also come, make deferred payment arrangements and pay as they earn.

**Shri Harish Chandra Mathur:** It has not been possible for the new entrants to enter in spite of the facilities provided by the Government at least since 1953. The main brunt of expansion, I presume, will rest upon those who are already in the trade. Knowing as you do the capacity of those who are already in the trade, and taking for granted the assistance which Government is making available according to their present policy, how many years do you think it will take us to achieve the physical targets of 50 per cent of overseas trade?

**Shri Ramaswami Mudaliar:** I should like to make it clear that the carrying of 50 per cent of overseas trade is not connected with the amount of tonnage that the country owns. That is a distinct proposition altogether. Even if you have, say, 10 million tons of shipping, you may not be able to carry 50 per cent, because it depends upon a number of factors, like the shippers' choice, etc.

**Shri Harish Chandra Mathur:** I can appreciate there are so many other factors which will come in. But what is the amount of shipping which we

will require for achieving that target or object?

**Shri Ramaswami Mudaliar:** About forty ships more; 400,000 tons.

**Shri Harish Chandra Mathur:** Our present resources and the capacity of those already in the trade, and Government making available loans on the same basis they are doing, what time will it take?

**Shri Ramaswami Mudaliar:** By 1966.

**Shri Harish Chandra Mathur:** Can you give us factual information to go with confidence that it is possible to achieve the target by 1966? How do you think it is possible to achieve the target?

**Shri Ramaswami Mudaliar:** I said 400,000 tons more, that is 40 ships. We shall be approaching this 900,000 tons by 1961. In another five years we shall be able to build up the rest. It all depends upon opening out new routes. There are several routes which have to be opened up. Scindias have now opened North American route: India-Baltimore-Philadelphia and New York. My company is thinking of some other route and this will mean a minimum of six ships in each route. We have to expand and put those ships. Meanwhile what we will do is charter some ships or make good use of some of the old ships. When the new ships are ready these charters will be given up and the new ships will be put on the route. That is how we expand shipping capacity and expand the trade routes.

**Shri Harish Chandra Mathur:** Being familiar with the international trends, particularly in this trade, don't you think that it is possible to arrange for the necessary foreign exchange even without foreign participation?

**Shri Ramaswami Mudaliar:** It is possible. Let us have some breathing time. Give us your trust and expect us to expand. We shall expand. From 1953-58 we have shown what we have done.

**Shri Vallabhadass:** I understand Government have already come to some arrangement with M[s. C. Itoh & Co. whereby the said company will give 25 million dollars say about Rs. 50 crores as loan for the expansion of tonnage. If this is true then I do not see any difficulty about the exchange for the time being for expansion of shipping if the promised loan is forthcoming.

**Shri S. K. Patil:** That is the name of the Japanese company.

**Shri Ghosal:** Do you think that foreign companies will be allured by the 51-49 basis?

**Shri Ramaswami Mudaliar:** Some countries may be allured.

**Shri Ghosal:** Do you think that foreign capital was not forthcoming so long as 75 per cent was there because there was no representation on the Board?

**Shri Ramaswami Mudaliar:** No; the policy statement of the Government was there. It said: At present we expect 75-25; but our goal is 100. In the face of that statement, how could any foreign capital come all these years? It is clearly stated that the idea is 100 per cent under the management and control of Indians.

**Shri Ghosal:** Then was it the reason why they did not participate?

**Shri Ramaswami Mudaliar:** I believe that was the reason.

**Shri H. N. Mukerjee:** I want the representatives of the Steamship Owners to tell the Committee the position in regard to a matter which strikes me. Our target is not merely 900,000 tons by 1961 but 2 million tons as quickly as possible. The Export Promotion Council had asked for our shipping to carry half of our foreign trade in 10 years. The ideal is that. If we mean to achieve it, we must have eightfold increase in our tonnage. There has been a suggestion—which I do not accept at all—that if we give certain guarantees to foreign capital with 51-49, then foreign capital will be forthcoming. Then, it has also been said that under this Bill we are going to have

an Indian National Register, a mechanism to control even foreign capital so that it will not be in a position to have a grip on our shipping. I would like to have your views on that. I want you to tell us whether we have the ways and means, self-financing schemes for ship acquisition, world bank loans, freight earnings and all that sort of thing. I would like you to tell us how far we are practically in a position to achieve not merely 900,000 tons by 1961 but also reach a very much larger target. The foreign assistance and the controls envisaged in the Bill are not at all sufficient for this. Please let us know about it from your experience.

**Shri Ramaswami Mudaliar:** I have said that I am optimistic that in the course of the next 6 or 7 years we shall be able to build up the tonnage in such a way that we can carry 50 per cent of the cargo, if it is available.

**Chairman:** Will you please repeat?

**Shri Ramaswami Mudaliar:** I said, in the next 6 or 7 years we shall be able to so expand our tonnage—both the existing companies and the new companies which may come in—as to carry 50 per cent of the tonnage at least in some of the routes which we have popularised, and probably open out new routes also.

The question of foreign tonnage is a very dangerous thing as I said. I forgot to mention one thing. In the year 1950 or 1951—I think—Lord Simon, the son of Lord Simon, came here and put up proposals before the Government, in exactly the same terms as are now being discussed, of foreign participation with Indian collaboration; and it was turned down by Government at the time for very good reasons. He was here for a couple of months negotiating—going from Calcutta to Delhi, from Delhi to Bombay and back. It was not done for obvious reasons.

**Shri S. K. Patil:** It was on 51-49 basis.

**Shri Ramaswami Mudaliar:** Yes. They wanted to transfer the whole of their shipping B & O and all the Indian routes provided we accepted certain terms. But we turned that down and we did not want expansion at that risk and on that dangerous basis. I venture to say that the position today is even worse than it was in 1951; and even better in some sense because we have expanded, since then, fairly rapidly and we are prepared to expand further. Not only that. As I said, from the signs before us, new entrepreneurs are ready to come in. That is a sign which I welcome. Let them have the credit or whatever it is; let them expand. We shall be able to build up our own resources if earnings can be earmarked to us. We shall expand from both sides. Why jeopardise the whole position by thinking of foreign equity capital in this connection?

**Shri H. N. Mukerjee:** Suppose Parliament succeeds in persuading Government to allow, let us say, 1/3 of the shipping charges by way of foreign imports—about Rs. 130 crores every year—suppose Government agrees to allow that for our own shipping purposes—say 1/3 or 1/4 of this sum—would the shipping interests in the private sector be able in 2 or 3 years' time to be in a position to come forward to carry on the good work—that is to say, to utilise the money which Government may put at the disposal of the shipping interests?

**Shri Ramaswami Mudaliar:** Not on the basis of my friend over there, on the ideological grounds of no question of pooling resources, no question of dividing the resources. But if it be on the basis you have suggested, the shipping interests will come forward fully to cooperate.

**Shri H. N. Mukerjee:** You have quoted in some of your speeches about Panama and the position of Panama in the shipping world. From your experience of the Liners Conference, I want you to tell us, if we have foreign interests in the Conference, are we likely to degenerate exactly into the position of Panama,

as was suggested by certain people, without any vote, without any voice to speak of in the Conferences?

**Shri Ramaswami Mudaliar:** I have said that the exact parallel does not apply. But you will find without raising complicated international questions or referring to matters of external affairs, it will be very difficult for you to control in as clear and as full a way as you can control the Indian national establishment.

**Shri H. N. Mukerjee:** Would it be advisable to extend the connotation of home trade area and would that extend the possibilities of Indian shipping in very quick time?

**Shri Ramaswami Mudaliar:** Home trade area is only for some technical purposes, as regards qualification of the persons employed etc. It does not mean that monopoly is given to India or any such thing. This is meant for the qualification of Master, Chief Officer, Mate and so on in home trade shipping. It has nothing to do with allotting areas to coastal trade or otherwise.

**Shri Tangamani:** From the memorandum it is not very clear whether you would like the policy statement which was enunciated in 1947 to be accepted as it is, namely, that the steamer should be registered, 75 per cent of the shares should be in Indian hands and the directors should be Indians and the managing agency, if any, should also be Indian or whether you would like any modification of that policy.

**Shri Ramaswami Mudaliar:** I would like the policy to be extended in the sense of decreasing that 25 per cent as I have said. But if you cannot do that, at least let us stay where we are.

**Shri Tangamani:** In your memorandum, para 26, you say: It is a ready and substantial earner and saver of foreign currency. Supposing the cost of a ship is Rs. 1 crore and it is readily and substantially earning. What will be the number of

years taken to earn that one crore in the conditions of today?

**Shri Ramaswami Mudaliar:** In 5 years.

**Shri Tangamani:** What are the countries which allow foreigners to control? It was said that 69% do not allow foreigners and 60% allow only restricted control. I would like to know concretely whether there are countries which really allow foreigners to dominate and, if so, what are those countries, and what will be the percentage.

**Shri Ramaswami Mudaliar:** There is a difference between legislative permission—that is permission given by the law—and actual permission. That has to be distinguished. There are countries which no doubt permit by law but in actual practice it is not done. Here is a book by an Italian author and he says that France, Germany, United States and Norway do not permit any foreign participation at all. Italy permits by law. They divide it into carats but not as provided in this Bill. Out of 24 carats 16 carats at least must be owned by Italians, that is 2/3. There are other countries which go on the 2/3 basis by law. France says 50-50 and yet there is no foreign participation in French ships. The law is one thing; and actual practice is different.

**Shri Oza:** Would you mind further foreign participation if proper representation of the Indian viewpoint in the conferences is secured and there are proper safeguards for meeting emergency cases?

**Shri Ramaswami Mudaliar:** From my knowledge of the practice of conferences, I say these safeguards are not possible.

**Shri Oza:** Presuming that they are safeguarded, would you mind foreign participation?

**Shri Ramaswami Mudaliar:** I am not able to visualise that and I am, therefore, unable to answer the question.

**Shri S. K. Patil:** I think too much is being presumed.

**Shri Ramaswami Mudaliar:** May I without presuming too much suggest a simple question for the consideration of such of the Members as believe in foreign participation? Do you think that if there is effective Indian control, and effective Indian management any foreigner will put money into it? He is not here to earn a little interest or a little dividend.

**Shri Oza:** That is another thing.

**Shri Ramaswami Mudaliar:** That is the same question in the reverse way.

**Shri Oza:** We are told that we do not entertain any apprehensions as regards the proceedings in these conferences and that Indian interests can be sufficiently safeguarded even if there is foreign participation. In the background of these views expressed in this Committee I am compelled to put you this question.

**Shri Ramaswami Mudaliar:** I think there are difficulties. There are obvious difficulties, as I said, over and over again.

**Shri Oza:** Apart from that, you have no objection to further participation of foreign capital.

**Shri Ramaswami Mudaliar:** I cannot advance my answer further than what I have already stated.

**Shri Jethalal Joshi:** Our overall target was to have 2 million tons. We have not yet reached 8 lakh tons. Are you sure that without foreign participation we can achieve this target even at the end of 20 years?

**Shri Ramaswami Mudaliar:** Much earlier than that, I believe, considering the pace at which we are progressing.

**Shri Vijay Singh:** One of the reasons advanced by those who advocate foreign participation is the difficulty of foreign exchange. In your introductory remarks you said that you are optimistic about the foreign exchange problem. Will you kindly

elucidate this further and let us know what are your specific reasons for this optimism?

**Shri Vijay Singh:** So it is more your feeling rather than reasons?

**Shri Ramaswami Mudaliar:** I do not entertain feelings unreasonably.

**Shri Vijay Singh:** I want to ask you two more questions. You just now said during the course of your remarks that there have been very few entrants to this industry. If you just allow foreign participation on 51:49 basis, will it not encourage some new entrants from our own country to come forward with the help of foreigners? If we effectively check the control by foreigners and prevent people from coming into the field, will it not mean that the industry will be solely monopolised by those who are already in the field?

**Shri Ramaswami Mudaliar:** How has the industry come to the present position? We had struggled hard. We had to get our own resources. We had to raise our own capital before the Government gave us loans at interest charges. So, why should it be made easier for the new entrants now after all the trials and tribulations through which we went, after all the loss that we have sustained? There was a sort of war in 1949. I hope the Committee will listen to it for a couple of minutes. The Dutch said: "We are the inheritors of the German mercantile marine. The war is over. Therefore, we should have all that German war shipping." They said: we must have 40 per cent of the trade from those ports—Hamburg, Antwerp, Bremen and Rotterdam. They began to cut the rates down. We were in the soup. Two lines were there and we were obliged to have the conference rates. They said: conference or no-conference, we must have it. The conference was afterwards called. The British said: we must insist on this. The Indians must have at least. I won't answer this statistically; but I shall answer it by reference to my feelings in the matter. I have been to several countries. I

know there are people ready to assist us. There are institutions which are willing to assist us, even in the matter of shipping. And, I believe, with a little patience and given the opportunity for commercial negotiation—apart from governmental negotiations—the foreign exchange problem will not loom as large as it is looming now. 10 per cent of this. They said: No. Then we said: "very well, we are willing to continue this trade war; we may suffer, but our country will gain, because the imports and exports will be on lower freights. Carry on as long as you like." Then they came to their senses and they said "all right, we will give you so much percentage". Scindias lost about 6 to 7 lakhs of rupees and my company about Rs. 2 lakhs. We put it to the Government of India: "we have suffered in trying to get lower freights. Therefore, please recompense us." We submitted our accounts. Further accounts were called for. Two years were spent in examination. Finally, the answer came "We turn down your request". Now the new-comers want to have dalliance with the foreigners. I do not think it is fair to the old shippers. Then, I do not think it can be called a monopoly. We are not trying to shut out anybody. If you have enough resources, if you can get money on deferred payment basis, if you can get loans from foreigners, you are welcome; the more the merrier.

**Shri Vijay Singh:** I am not defending the new entrants. I only wanted to know the reasons. There is one more question. At page 27 of the memorandum you say:

"In Britain ships are treated as movable property. In India they are immovable."

Will you just elucidate this point further? Should we follow the British tradition and make it movable property?

**Shri Ramaswami Mudaliar:** That is a question of law, and I think the Law Minister will be able to answer it. Some countries treat ship as mov-

able property. Other countries treat it as real property. Some treat it as anomalous property—neither real nor personal. It all depends on the interpretation that they give to these ships. Generally, the hull of the ship and the machinery which goes with it are treated as real property and the ancillaries are treated as personal property. This is in connection with mortgage rights and lease rights.

**Shri J. S. Bisht:** Suppose the coastal trade is completely, cent per cent, Indian; no foreign participation is allowed; that is guaranteed. With regard to the rest, that is to say, the target of two million tons by the Third Plan, would you be satisfied if foreign participation is allowed only, say, up to 40 per cent and no more or 35 per cent?

**Shri Ramaswami Mudaliar:** I have already answered that question. I would not agree to it.

**Shri J. S. Bisht:** You have said that if there is effective Indian control you would have no objection. If you have 60 per cent, would it not be effective?

**Shri Ramaswami Mudaliar:** Nothing less than 75 per cent is risking effective control. Even 75 per cent is risky. But anything lower than that is a negation of effective control, in my opinion.

**Shri Raghunath Singh:** Suppose you have 75 per cent in the management of the directorate and in working capital. Will it not be effective?

**Shri Ramaswami Mudaliar:** We hear in commercial circles that there are guinea pig directors. You can easily use guinea pigs for anything. That is my reply.

**Shri Dhage:** Much of the subject has already been covered by Mr. Mudaliar. According to him, if you leave it to the men in the field, they will be able to manage it well. Now I would like to know from him one thing. Please do not tell me that it is not for you to answer.

**Shri Ramaswami Mudaliar:** I will answer all your questions.

**Shri Dhage:** It is the burden of your song in the memorandum that the Government of India has reversed its policy, particularly in the matter of the definition of "shipping" and that they are having 49 and 51 per cent for individual ownership for foreigners and Indians and hundred per cent ownership even for foreigners for joint stock management. Can you say the reasons that must have promoted the Government of India to take this decision?

**Shri Ramaswami Mudaliar:** I am as much intrigued as you are by this change of policy. There is one thing about this Bill. This is the least educative of the Bills that I have come across. The notes on clauses are absolutely nothing. Index to the clauses is not given in the body. There is no explanatory note. The Statement of Objects and Reasons leaves most unsaid. How can I answer this question? One would have expected, on the basis of an actual change of policy, that the Statement of Objects and Reasons would have given some reasons for it and the clauses. I went through the clauses. I am as illiterate as I was before.

**Shri Dhage:** We have now a national Government. Whenever the national government is making a provision in the Bill, it must be in the interest of our country. So what do you think the Government must be having in its mind in making this proposition?

**Shri Ramaswami Mudaliar:** I can only say that probably the Minister was not there when the Government considered this question.

**Shri Raj Bahadur:** I do not want to ask questions for purpose of questions. I have to give my grateful thanks to Mr. Mudaliar for the illuminating way in which he has tried to clarify certain points in regard to this most vexed problem on which some kind of controversy has developed which has now become rather very stringent, if I may say so, and there has been a sharp

division of opinion in regard to this. I want to put some points for further elucidation, just to enlighten us in regard to this particular definition.

Now, what do you think about the present definition? So far as the registration is concerned, we are governed by the British Act. Under that Act, if I have been able to understand it correctly, any citizen of the Commonwealth countries can set up a company. Any citizen can register a ship as an Indian ship. It is only under that clause that we find companies like the Mugal lines can operate. Now if we are to accept your viewpoint the whole hog, viz., that we should have nothing to do with foreign participation whatsoever, how will it affect companies like the Mugal lines?

**Shri Ramaswami Mudaliar:** Usually the existing companies are exempted. Even when the policy statement was accepted about 75 per cent and 25 per cent, the Mugal lines were exempted. On the same basis, they can be exempted now. Here I would like to read one statement with reference to Dominion rights. This was the answer given in the House of Lords in reply to a question in April this year.

**Shri Raj Bahadur:** I will make my position clear. If we accept the definition which you have suggested, all those 24,000 tons of Indian shipping which the Mugal lines now have will have to be struck off the Indian register.

**Shri Ramaswami Mudaliar:** Not necessarily. The *status quo* can be maintained even for 75, when we are asking for cent per cent. You will see it stated in the memorandum that the existing position should be maintained. That will be an exception. For all practical purposes Mugal lines were never treated as an Indian company. They are not allowed to ply on the coast.

**Shri Raj Bahadur:** They are borne on the Indian register. They have done some services for the country. They must be enabled to carry on.

**Shri S. K. Patil:** As you said, the *status quo* will continue. Even under the policy resolution, they could have applied—as they did apply—and got exemption. But surely that facility will not be allowed to them for expansion.

**Shri Ramaswami Mudaliar:** No. That has been understood all these ten years.

**Shri Raj Bahadur:** Now can you tell us some reason why in the projects of the British we do not have managing agencies surviving, despite all the facilities that are afforded to them?

**Shri Ramaswami Mudaliar:** The Canadians have tried it and they found that they were incurring losses. They transferred the mercantile marine, after the war, to the British companies. The Australians have not tried it, except for small coastal ships.

**Shri Raj Bahadur:** Will it not be pertinent to infer from the state of affairs that the essential handicap from which the expansion of our shipping overseas suffers is because of the restrictions or limitations we suffer at the Conference, as you have yourself stated in your very good address at the Symposium. I would like to refer to page 69, where you have very rightly explained the position. It is very clear from that statement that irrespective of the interest of the Government of India in the expansion of shipping, it is not possible for the Government, even with all the diplomatic and other sources at their command, to get results that we would like to get out of these conferences. Secondly, the representatives of our own shipping companies themselves also find a handicap, as you have said, in that they are two against thirty-two. Would it not then be wise to allow for some opportunity for foreign participation and to create a sort of interest in the Indian shipping and to open lies for Indian shipping which are so far blocked for us? If we are able to have some foreign participation and inspire in them some sort of interest



to clear up all these impediments in our way, will it not be the only way in which we can hope to achieve the results?

**Shri Ramaswami Mudaliar:** No, Sir. I have not covered the whole ground. If you allow me five minutes I will tell you what the position is.

First of all, though we are excluded from all the wayside ports we have continued to fight our way. My company has succeeded in establishing trade with U.K. and Aden. Aden is a small port but there is a tremendous amount of industrialisation in Aden. The Conference wrote to us saying "This is an unfriendly act". We said, "You have unreasonably excluded us" and we fought. We are carrying goods to Aden. A line which is excluded like that can fight. Of course they will fight in return. But if you have the backing of the Government behind you in the shape of financial assistance, any Conference can be broken by an individual line.

**Shri Raj Bahadur:** That is not clear.

**Shri Ramaswami Mudaliar:** I will give you one instance. The Polish Lines have come into the Indian trade. They are not in the Conference. They wanted to be in the conference. At first the majority of the members were dead against it. We supported it. Our policy was that anybody could come and trade with us if we are allowed to trade with that country. Apart from that, the two countries had made a treaty that we will put so many ships and they will put so many. Therefore, in loyalty to our Government and in the interests of furthering our trade we agreed to it from the very first. The Conference were all against it. They said that the Polish line should not load at the German ports, Dutch ports and Belgian ports which are the main Continental ones. Then the Polish line came and said, "If you like, admit us; otherwise we do not bother; whatever we can carry for Czechoslovakia or Poland or even for these intermediary ports we shall carry." And the Government of

Poland indicated that they were prepared to stand by those lines and subsidise them. Then they sent a negotiating body to negotiate with them at Copenhagen, a neutral place, and a compromise was arrived at. They allowed them not only this particular route but the route from Burma to Poland, whereas the Indian line which is next-door is not allowed to go there. We are going to break it, and as I have said in my annual addresses, if it comes to a rate war the Government must stand by us. But now we are orphans on the wide seas.

**Shri Raj Bahadur:** Does it not mean that the Government will have to incur further financial commitments so far as our battle of shipping is concerned?

**Shri Ramaswami Mudaliar:** It does. But I can assure you..

**Shri R. P. Sinha:** Just what we probably want to avoid!

**Shri Raj Bahadur:** No. There can be no two opinions on that matter. We all like that our shipping lines should develop.

**Shri Ramaswami Mudaliar:** The form that foreign participation will take is this. We have seen it in Panama, Liberia, Honduras and Cuba. They have the flags of convenience. The parent company will form a subsidiary company which will manage it. I cannot conceive—I put it from my own point of view—of a subsidiary company acting against the parent company. If it is English or Dutch its interests will be wholly with the parent company and I do not expect this company to fight for new ships.

**Shri Raj Bahadur:** That is a class by itself.

**Shri Ramaswami Mudaliar:** This will be on the same basis. You are not going to get individuals from Lancashire and Yorkshire coming as shareholders. If it goes through in this form it will be a subsidiary of that company. The holding company will be there. They will disown each other for public purposes but there

will be the closest connection between the two.

**Shri Raj Bahadur:** I think we can secure that by suitable amendments, like principal place of business being in India, effective control and management in India, etc. All these various safeguards could be provided. However, I won't enter into that particular question.

**Shri Ramaswami Mudaliar:** Many of the safeguards will be used against us!

**Shri Raj Bahadur:** We have stated like this in our Policy Resolution—that was a very fervent hope of ours—and I shall read it out to you. It says:

“With regard to the shares to be secured for Indian Shipping in the various trades, the committee have recommended that the targets to be reached during the next five to seven years should be 100 per cent. of the purely coastal trade of India, 75 per cent. of India's trade with Burma and Ceylon and with the geographically adjacent countries, 50 per cent. of India's distant trades and 30 per cent. of the trades formerly carried in Axis vessels.”

That was the goal set as far back as 1947, that is five to seven years and 100 per cent. coastal shipping. And despite all the definition which covers only the registration part of it, I do not think there will be any danger to the coastal trade. But as regards overseas trade we are having only 6 per cent. The targets are 9 lakhs for the Second Five Year Plan, and it can be reasonably hoped that in five years' time, that is between 1961 and 1966, we shall be able to add to the tune of 11 lakh tons so as to achieve the target of 2 million tons.

**Shri Ramaswami Mudaliar:** I spoke of 400,000 tons which will carry 50 per cent. of the commerce. But may I say this? You have referred to the Policy Statement of 1947 and you have

referred to overseas shipping. May I point out that Government took about four to five years to reserve the coastal trade after the Policy Statement? It was done in 1951, and even then with certain exceptions. Don't put us too much on trial!

**Shri Raj Bahadur:** That is farthest from our intention. I think our intention should not also be doubted.

**Shri Ramaswami Mudaliar:** Please do not have that idea. We do not doubt it.

**Shri S. K. Patil:** You referred to our getting ships from abroad and I gathered that you are very much against it for the simple reason that you get the old ones and possibly not good in speed. This does not concern clause 12 or anything. But I want to know this that if there are such ships which are not so old as of 1949 or 1940 but which are not more than three or four years old at the outside—not eighteen and twenty knotters but fourteen and fifteen knotters—and if you get them for a comparatively cheaper price, what would you say?

**Shri Ramaswami Mudaliar:** I would go in for them. There is no question of that.

**Shri S. K. Patil:** Another question. We began with a discussion of the preamble and so on. You gave your views that exceptions should be made. There is no rigid law anywhere, but in practice, as the Chairman has pointed out, we have stopped giving that preamble, etc. But you have used expressions like “reversal of policy”, that you are intrigued about it and so on. I am not here trying to defend what the Government have done, but what was done in 1947 was merely a Policy Statement. And you by your experience know it very well that what you can include in a policy statement in a general way cannot exactly be interpreted in the very prosaic, rigid language of a statute. Is that not so?

**Shri Ramaswami Mudaliar:** Is there a difference between a policy statement and a statement of policy?

**Shri S. K. Patil:** Between a policy statement and the law, the actual Bill. Here in our Resolution we have stated that it should be owned, managed, controlled, etc. It is all right. But when we reduce it to a Bill and in writing, it cannot merely be "owned". We have to stipulate what that "owing" means. And in that, as you have pointed out, in France it is 50/50. It is permissible. But although the law is there, nobody has done it. Can the same interpretation be put on Government, when you put it in the cold words of a statute, that although it may exist there, in actual practice it may not?

**Shri Ramaswami Mudaliar:** I am willing to give all credit to the intentions of Government. But I am bound to say at the same time that the language of the law will create other difficulties.

**Shri S. K. Patil:** I merely asked for information, not that I differ from you.

**Shri Mool Chand Jain:** You said that the writ of the Government does not lie with the Conference. And you said that if the Government is at your back, you can break this Conference. Is it not a contradiction in terms?

**Shri Ramaswami Mudaliar:** You cannot direct the Conference to do anything. But if it is known that you are behind the national shipping, the national shipping will get what it wants from the Conference.

**Shri Harish Chandra Mathur:** Everybody understands that no government can send a writ to an international conference. We understand you could not influence the decisions. But now you say that if the Government backing is there, you could do much more. That cannot be reconciled with the earlier statement. All that we could gather was that the Government cannot influence the decisions taken at the international conference. But now what you have stated is that if there is Government

backing behind you, you could influence the decisions. These two statements cannot be reconciled.

**Shri Ramaswami Mudaliar:** I do not think there is any contradiction.

**Shri Harish Chandra Mathur:** You have now stated that the decisions can be influenced if the Government is at the back.

**Shri Ramaswami Mudaliar:** Certainly, the decisions can be influenced if the members of the Conference are aware that a powerful government will do anything to safeguard its national shipping. It is not a writ of the Government to the Conference or anything of the kind.

**Chairman:** I think we can conclude now. If there are any additional points that you want to explain, you can explain them tomorrow. The main points have been thrashed out. The other points have been explained in their memorandum and it is for the combined wisdom of the Committee to come to any decisions.

Before we conclude, I would like to read out to the committee, a letter which I have received from Shrimati Sumati Morarjee. I shall read it out:

"As the Merchant Shipping Bill, 1958, involves a number of special technical considerations in connection with the working of the ship, may I beg to suggest that it would be of great help to the national shipping industry if you and your colleagues would be pleased to visit, at any rate, the ports of Bombay, Madras, and Calcutta, and acquaint yourselves with the conditions of shipping obtaining in these ports. May I be further permitted to add that if my Association could be of any service to you and your colleagues in this connection, you may take it from me that the services of the Association as well as myself will be at your disposal."

We are grateful for the invitation, but before we give a definite reply we shall be to discuss among ourselves. On behalf of the Committee I wholeheartedly thank the representatives of the Association who have appeared before this Committee and given us the wisdom of their experience. This will enable us to come to a final decision on the clauses of the Bill which is of national importance. I thank them once again for their presence here. and their contribution.

**Shri Ramaswami Mudaliar:** We thank you, Mr. Chairman and your colleagues for the courteous hearing you have given us.

**Shri S. K. Patil:** If it becomes necessary we shall call Shri Ramaswami Mudaliar in his individual capacity to assist us.

**Shri Ramaswami Mudaliar:** I am at the disposal of the Committee.

*(Witnesses then withdrew).*

*(The Committee then adjourned).*

**THE JOINT COMMITTEE ON THE MERCHANT SHIPPING BILL, 1958**  
Minutes of the Evidence taken before the Joint Committee on the Merchant  
Shipping Bill, 1958.

*Wednesday, the 9th July, 1958 at 10.00 hours.*

**PRESENT**

**Shri Upendranath Barman—Chairman.**

**MEMBERS**

*Lok Sabha*

Shri Liladhar Kotoki	Shri N. M. Wadiwa
Shri S. Osman Ali Khan	Shri Radha Raman
Shri Harish Chandra Mathur	Shri Shivram Rango Rane
Shri Anirudh Sinha	Shri Hirendra Nath Mukerjee
Shri Ram Dhani Das	Shri K. T. K. Tangamani
Shri Ghanshyamlal Oza	Shri Rajendra Singh
Shri Raghunath Singh	Shri Nath Pai
Shri Tekur Subrahmanyam	Shri S. A. Matin
Shri K. P. Kuttikrishnan Nair	Shri Aurobindo Ghosal
Shri K. Periaswami Gounder	Shri Badakumar Pratap Ganga Deb Bamra
Shri Dinesh Pratap Singh	Shri S. K. Patil
Shri Mool Chand Jain	

*Rajya Sabha*

Shri Akbar Ali Khan	Shri Vijay Singh
Shrimati Savitry Devi Nigam	Shri Abdur Rezzak Khan
Shri J. S. Bisht.	Shri V. K. Dhage
Shri Jethalal Harikrishna Joshi	Shri R. P. Sinha
Dr. Raghubir Sinh	Dr. P. J. Thomas

**DRAFTSMAN**

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

**REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS**

**Shri Nagendra Singh, Joint Secretary, Ministry of Transport and Commu-  
nications.**

**Shri P. R. Subramanian, Deputy Director General of Shipping.**

**Shri S. K. Ghosh, Deputy Secretary, Ministry of Transport and Communi-  
cations.**

**SECRETARIAT**

**Shri A. L. Rai—Under Secretary.**

## WITNESSES EXAMINED

**Spokesmen:**

I. Shri M. A. Master, Bombay.  
 II. National Union of Seamen of India,  
 Calcutta.

Shri C. H. Bhabha, Bombay.

**Spokesmen:**

Shri K. V. Rao  
 Shri R. Banerjee

Shri Bikas Majumdar

I. Shri M. A. Master and Shri C. H. Bhabha.

*(Witnesses were called in  
 and they took their seats.)*

**Chairman:** We have got many points from the INSOA who appeared before us yesterday, but on some matters we were not fully convinced. So, we shall confine our business today only to such points which have not been demonstrated by them yesterday clearly or which were left out for want of time.

Myself and the committee would like to know the exact functioning and the procedure of the shipping conferences on which there are divergent views, whether any combined enterprise will affect our indigenous enterprise in any way so far as the conferences are concerned, how far the Government of India will be in a position to influence the decision of the conferences, etc. On these points, to come to some decisions amongst us, we want to know from you what is the exact procedure and functioning of the conferences. If there are any articles or memorandum of association, we would like to have a copy.

**Shri M. A. Master:** There are a number of conferences which govern various routes and various services. We are members of what is known as the India-U.K. conference. This is divided into several conferences. There are no articles or memorandum of association. Before we join any conference, we have to make an application to the conference. After the application is made, it is put to the conference whether to admit us into the conference or not. It may be

that they may not admit you as a full member straightaway. They might admit you as an associate member, meaning that you can participate in the discussions, but you have no right to vote. For several years in several conferences to which the two lines—the Scindia line and the India Steamship line—were admitted from 1946-47 onwards, they were merely associate members. When I went for settling the Dutch freight-war, I was merely an associate member without any right to vote.

After we join the conference, there are certain obligations which are imposed on us by the conference. Firstly, we have to restrict the number of ships which we will run on any particular route. Then there may be restrictions as regards the number of ports from which we might load cargo and the number of ports at which we might discharge cargo. The third important obligation is that we cannot quote any freight lower than the freight that is fixed by the conference. Generally the procedure is that the conference meets several times in the year according to the exigencies of the situation. If we joint the conference, we take part in the discussions. It may be that other people might apply. When their applications come, whether to admit them or not will depend upon the strength of your own views which you may present to the conference.

If, I understood you aright, you wanted to know if it will affect the position of Indian shipping if there is a foreign combine. We are two lines—the Scindia line and the India Steamship line. Supposing there are two

other Indo-foreign combines sitting at the India-U.K. conference. We will be entitled to participate in the discussions and we will have the right to vote when we are admitted into full membership. Our fear is that any foreign combines that might come over here will have to take their instructions from the parent company which may be either in U.K. or any other country. They will generally toe the line of the parent company. On various occasions it may happen that political considerations will prevail and they will certainly join hands with their own people—the country from which they come—in satisfying their political aspirations.

May I give you one pertinent instance? In 1949 there was the Dutch freight-war. The rate of freight on the cargo of tea from Calcutta to London was 100 sh. The rate was brought down to 1sh. 6d. Our Government was very much concerned. I went as representative of our own Government and as the representative of the two companies.

**Shri S. K. Patil:** Was it brought down by 1sh. 6d., or to 1sh. 6d.?

**Shri M. A. Master:** It was brought down to 1sh. 6d. Our Government insisted that both the representatives should be Indians. Dr. Ramaswamy sent one of his own men from Calcutta. He was good enough to make the statement that whatever Mr. Master will do for Scindia will be equally binding on India Steamship. After some time, the proposition was placed before us that the Dutch would be given 45 per cent. of the trade which emanated from India and which terminated in India and we should be contended with 8 per cent. I told George Campbell that I could not accept that position. George reminded me of the fact that I was merely an associate member and that I had no right to vote. I said, "Yes, but I have got the tongue". I was an associate member of the conference which consisted of 62 people. But I was asked to be a member of the committee consisting only of 3 people and I was instrumental in settling the

Dutch freight-war without agreeing to the most humiliating proposition of India accepting only 8 per cent. of the trade. The final settlement was that India did not accept the 8 per cent. proposition and the rate was raised from 1sh. 6d. to 100sh. What was the reason for asking India to accept 8 per cent. and giving 45 per cent. to the Dutch? There was a secret understanding....

**Chairman:** According to our rules, the proceedings of this committee may be made public. But if you want that any portion should be kept secret, we shall keep it as a secret from the public, but not from Members of Parliament.

**Shri M. A. Master:** You may publish it. The reason was there was a secret understanding between the British shipping interests and the Scandinavian interests that these interests shall not load a single ton of cargo from the ports in Great Britain and as a *quid pro quo* of the secret understanding, they were given 45 per cent. What has happened in the past is bound to be repeated in the future.

To give you another instance, you know our country is very anxious to send exports to all parts of the world and also to open new lines. The Scindia company started the African service. Before the rate was 500sh. because the route was *via* Great Britain. Now the rate is 300sh. with the result that this country is able to export textiles to the African ports in larger quantities than before.

So, unless and until the nationals of the country are there to carry on the discussions at these various conferences, it will not be possible for us to safeguard our interests. I gave you the instance of the Dutch freight-war and the African service . . .

**Chairman:** You have mentioned it in the memorandum also.

**Shri M. A. Master:** Taking all these factors into consideration, we feel that so far as conferences are concerned, India speaking with two voices would be not only weakening the position of Indian shipping, but it

would also be seriously detrimental to the larger national interests of the country. I do not want to elaborate on this point as you said you have read it in the memorandum. But if there is any point on which you need further clarification, I am at your service.

**Chairman:** Your apprehension is, speaking with two voices. May I put in a hypothetical proposition. Of course, the committee will decide; that is another matter. Suppose we decide on an Indo-foreign combine and not purely foreign enterprise. In the combine, if the majority capital is Indian and if the foreign capital is up to 49 per cent., if it is predominantly Indian—that is the language—and if it is managed by Indians, do you think that in such a case, this sort of mischief can be done by non-nationals who are admitted into Indian shipping?

**Shri M. A. Master:** Your proposition is that the capital will be owned to an extent of 51 per cent by Indians and 49 per cent by foreigners. Let us examine it. The 49 per cent which will be owned by the foreigners will be one solid block. But the 51 per cent Indian capital would be perhaps split up into several parts.

**Shri J. S. Bisht:** Why should it be so?

**Shri M. A. Master:** If you examine the shareholders' registers of several joint-stock enterprises in this Country—nowadays of course the published balance sheets give you the figures as to who own the shares—take the Tata group, you will find that the share-holders are over 28,000. Take the Scindias. The shareholders are over 20,000. Take the Central Bank, the shareholders are over several thousands. Therefore, taking a practical view of what is obtaining today, you will not find one block, so far as 51 per cent. is concerned. Again, if there is one block of 51 per cent. it will not be a joint stock company in the public sector. It will have certain other obligations to discharge. I do not wish to enter into that.

Now your question is: suppose there is a majority of directors and there is a majority in the management, what would be the consequence. The consequences are very easy to imagine. Even if there is a very small minority of the foreign company in the management or in the board, you would not be able to carry out the policy which you have in view. Let me give another hypothetical illustration. Supposing our Government were to tell us that we should not go to a particular port of a country with which we may not be friendly and another foreign director is on the board. His country may be friendly to that government and it will not be possible for us to discuss this. Suppose we are thinking of opening new branches where the British people are interested and we have got one British director on the board. It will not be possible to discuss this. So it is our view as practical businessmen that it is not possible to discuss these things with them. There are various other considerations. These are the considerations arising from the viewpoint of defence strategy, and the discharge of international obligations. We have to take the picture as a whole, not a picture here and there. What would be the effect on our economic life? What will be the effect so far as the defence is concerned? What will be the effect so far as the discharge of international obligations is concerned?

Not let me give you two illustrations. During the war there was great trouble in Burma from 1942 onwards. It was only the Indian ship that carried 64,000 evacuees. So many British ships came from Burma. But not a single Indian was brought to this country. But I was scolded that my company had bolted from Burma. I submitted that not only had I not bolted but each of my ships had lifted about 4,000 people from Chittagong while the British ships did not lift the passengers. Similarly, when India was divided, there were refugees coming from Pakistan. It was again only the Indian ships that brought about two lakhs of refugees from Pakistan. No



British ship came forward to assist us.

**Shri V. K. Dhage:** What about the other countries?

**Shri M. A. Master:** The majority are British ships. That is why I referred to the British ships.

**Shri V. K. Dhage:** Could you safely say that except yours no other ship carried any passengers?

**Shri M. A. Master:** I find from the records that 64,000 evacuees were carried by Scindia Steamship Company from Burma to India and over two lakh refugees from Pakistan to India. I had reasons to go through this question when it came up before the Commerce Minister. At that time I was called upon to submit a note. That is how I carry it in my memory. These are the great disadvantages because of which we say that we do not want any foreign combine.

**Chairman:** Are you of the view that such a combine will not carry out the mandate of the Government of India in emergencies like the one you have suggested?

**Shri M. A. Master:** It is a historical truth that in times of emergency your sympathies will lie with the people of that country to which you belong. The most important thing which we have to remember is that it will be the foreign company which may be working in London or Germany or America—they are the people who are interested in forming the Indo-foreign combine—that will be giving the directions, and I have not the slightest doubt that this combine will take their instructions from the principals and those instructions will certainly be not in consonance with our aspirations or our needs and requirements. This has happened in the past and is bound to happen in the future. That is why we have said that we do not want any Indo-foreign combine.

There are other viewpoints from which also you may examine this

question. You want foreign capital. You have not got the foreign exchange. Well, it is not only the equity capital that will enable us to tide over our difficulties. There are other sources. There are loans and there are commercial credits. There are various methods of financing it without releasing foreign exchange. You can have either the self-financing system or the deferred payment system. Now I know very definitely that there are negotiations going on for three more ships.

Now let us take the steel industry. Shipping is certainly as vital, if not more than the steel industry. According to the report made by the Chairman, Tatas would need Rs. 118 crores in order to carry out the replacement and other expansion programmes, as desired by the Government. What do we find? Government has helped them in getting about Rs. 75 crores as loans from the World Bank, Government has raised their retention price which would bring, according to Mr. Tata—he stated that in the speech that he made in the last annual meeting—about Rs. 20 crores. To one steel company they have given Rs. 20 crores free of interest. To another steel company they gave Rs. 10 crores with some rate of interest. So the largest amount that was necessary, more than 80 per cent, according to the figures which I have just submitted, were given to them either in the form of loans or advances or commercial credits.

Now our submission is this. Let us examine whether it is not possible to get capital in any other way. Our Government have been good enough to give us what is known as dollar credit. It is quite possible to secure for us further credit from the World Bank, as the Government has secured Rs. 24 crores for the major development schemes of the ports. I will give you another instance. When the Chairman of the World Bank Mission came here I met him with a deputation of the Indian shipowners. We placed our case for assistance, so far as expansion of Indian shipping was

concerned. He said that they would very willingly assist us. But no scheme was placed before them by our Government. So, it was not possible for them to do anything. I may point out that there was a letter which the President of the World Bank wrote to the ex-Finance Minister where he stated that he would certainly consider schemes for the expansion of shipping as well as schemes for the development of major ports. No scheme was placed before them. I do feel that if our Government would be pleased to explore that line for getting finance, we will certainly get loans or commercial credits. We ourselves have been trying it. As a matter of fact, it comes to about Rs. 6-7 crores and additional tonnage has been purchased recently on the basis of either self-financing schemes or on deferred payment system. If this line is explored, certainly we will be getting a substantial amount of foreign money which would enable us to carry on our programmes still further. Therefore, taking a broad picture, considering the question from all different angles, we are definitely of the opinion that the existing policy should not be disturbed and there should be no Indo-foreign combine. Now I will request my colleague to elaborate it from another angle.

**Shri C. H. Bhabha:** I would like to supplement one or two things on this aspect of Indo-foreign combine. In the first place, the foreign interest which may be willing to participate in any form, whether it is debenture loan or equity capital, would particularly prefer equity capital since that would give a sort of voting right and control over the organisation and the interest of such a shipping combine across the seas outside the shores of our country would not be of the highest nationalistic order. And when I make this statement I do it with all respect and I can substantiate it with a case which does exist today in this country. There is a so-called Indian shipping company, 82 per cent of the capital of which is held by foreign sources or B I company—that

is the Mogul line which is very well-known. If you look into the balance sheets of this company for the last 5, 7 or 10 years, you will find that whatever amount has been saved during the last decade or so, that amount of the reserve fund has been invested in the form of New Zealand bonds, not Indian Government securities, and no law of the land can compel them to do so. That is point No. 1.

The second point is that whenever any repairs to ships of that Corporation have to be carried on, it has to be done only through particular repair shops in this country which are exclusively owned by non-Indians and not even five per cent of the repair works for these ships will be entrusted to Scindias or any Indian workshop, the reason for that being that through those repair shops they can so manipulate their profits as not to pay the full amount of taxation here and they can benefit their sister concern which again employs most of the non-nationals of this country.

Thirdly, when a replacement has to be made,— as you are well aware, an order for the replacement of an important part may be costing a few thousands of pounds—that will be placed on particular individuals etc. outside the frontiers of this land, and the price is so manipulated as to benefit the foreign holder of that equity or debenture capital. It is agreed and there is no gainsaying that there are concrete instances of this.

This Company, for all practical purposes, is an Indian Company, registered in India. But the share capital, the ordinary share capital, is held by the B I Company. As a result of that, the directors which this company takes are not from the paid employees but almost invariably from the foreign nationals. They are all foreign nationals, except for the sake of convenience one or two Indians are invited to join the board, just to keep up appearance, especially after 1947. Before 1946 or 1947 there were no Indian directors, except a Muslim gentleman. That was done with the idea of getting business, because they

were plying on the *Haj route*. So, in order to be on the right side of Government there and in order to utilize him for certain purposes, this Director was kept and paid. Today, of course, there are two Indian directors on the board of this combine.

When they order out machinery or important parts, they place exclusive orders through their parent company on certain suppliers, who can be expected to so adjust the prices as to benefit the main holding company. There is no secret about it. This is being done more often than not.

The other aspect is that they are able to pocket in several ways a very substantial chunk of the earnings of the combine by way of managerial remuneration. And I am not divulging a secret when I say this. When I was dealing with them as Chairman of the Company Law Commission, I found the managing agents of the Mugal lines were taking commission, in various forms, which was at least six times the normal ten per cent or whatever was allowed to others. When I confronted them with certain facts and figures, saying that the management expenses of a big organisation like the P & O or the B.I. were a fraction of it, they said: "We are looking after the various ports". They used to charge port commissions at every port. They used to charge supply commission at every port. They were charging very high freights also, with the result that a small company like that with only, I think, four ships—at that time, they had only four ships now they have six ships—were pocketing an indirect sort of levy or charge from this company, which worked out to something like six times the normal remuneration which were paid to the managing agents of other steamship companies in India. Not being content with that, they have no faith in us and our countrymen.

When they placed orders for two more ships, this Indian company, which you and I would call Indian in every sense, they kept the ships registered under foreign flags. I do

not know whether these ships are still registered under the British flag. They are flying the British flag and call themselves an Indian Company!

These are the main things which we have to take into account. Now you talk of the proportion of 51 and 49. May I, with due deference to all the knowledge that all our friends across the table may possess, just make bold to show you that no other merchant fleet anywhere in the world has got a non-national employee anywhere over the rank of a third officer. If it is a British line the senior-most officers of that vessel will be Britishers. Because, when they are on the high seas, they are the owners' representatives. They have power over life and death. They can pledge a ship. They can get the ship mortgaged and the owner of the ship will have no control over them. Suppose your ship has gone to Liverpool or Glasgow and a non-Indian is in charge of it. He can pledge your vessel or "mortgage your bottom" as they call it; that is a technical term. So, whether it is a Japanese ship or Italian ship or a German or British ship, no officer over the rank of a third officer will be a non-national of that country. So, if we inject the foreign capital into any organisation, the result will be that they are bound to bring forward their own technical men. Then it may happen that a non-national may become the Chief Engineer or the master of the vessel, because we have not got men of sufficient calibre. In that case, Indians would be in a great danger in a national emergency, as the ship will be controlled by the foreigners. I am looking at that contingency.

**Shri Rajendra Pratap Sinha:** Suppose you make a provision in the Bill that all the Indian ships must be manned by Indians.

**Shri C. H. Bhabha:** If you make such a provision, no foreigner will come here.

**Shri Rajendra Pratap Sinha:** Is it advisable to have it?

**Shri C. H. Bhabha:** You cannot do that, because under the international law that would be discrimination on the high seas. Under the international convention we will not be justified in doing that. Apart from that, the other aspect to be safeguarded against in a corporation or an organisation of this nature is that no sooner you stipulate that you will have 40 per cent foreign capital—or any percentage which the Committee and Government in their wisdom fix—you cannot check certain things under the existing laws of the land. They can conveniently get 10 or 12 per cent of the stock registered in the name of a foreign company or a holding company or an insurance company which is operating in this land. It can hold that on behalf of somebody else whether in Japan or West Germany or England and still say that it has complied with the law of the land.

**Chairman:** Will you kindly repeat?

**Shri C. H. Bhabha:** I will give you instances in other fields—other than shipping. Under the Companies Act there are no provisions regarding the holdings by non-nationals. Under the Companies Act we have no such provision as we have in other countries like Switzerland and America. There, there is a compulsion that at least a majority of the Board of Directors—say—the directorial staff, that is, the management, should be at least nationals of that country. If for shipping you wish to do that, you will have to make several changes to follow. The simplest way to circumvent is to have a block of shares registered in the name of other companies which are registered in India. There are several holding companies belonging to non-Indians in this country and they are perfectly legitimate companies because the foreigners or the real owners are the real owners of those companies. In every sense of the term, they are Indian combines. So, they will do that.

The other subterfuge, which is also used today, is to create a few Indian

nominees and hold their shares on blank transfers. What is the consequence? Today you may think that Guest, Keen Williams is an Indian company. It is in no sense an Indian company according to me. I do not know what my friends across the table and yourself think. They hold shares for another company of London. They are only holding 25 to 30 per cent and the rest of the shareholders are all Indian and are spread out throughout the length and breadth of this sub-continent. But with the block vote they have got—because the other shareholders are spread out with hardly a director or two—they put their nominees. More than  $\frac{1}{2}$  of the members of the Board are non-Indians. The higher executives right up to the rank of—I forget what they call it—the Senior Foreign executive or something—are non-Indians. The price fixation is manipulated by London because they are the agents again of the parent company, and naturally so. They can adjust the prices of certain raw materials etc. which get because they are governed by their world-wide policy, what to fix for India and how to make the cost more expensive so that it cannot go to Malaya for instance.

I venture to place before our friends what happened in one shipping company. In spite of our efforts we were prohibited from lifting some cargo. We strove our best to try to lift that cargo because we were going half empty or  $\frac{2}{3}$  empty though we were full voting members of the Indian-Australian line and the India-Japan line. We were not allowed to lift that cargo from Singapore because there was another sort of subsidiary line over which we had no hold and they said that they had allotted so much to such and such a company. We did our utmost for 2 or 3 years with all the pressure of Government; but nothing happened. That is the power of the Conference lines. Let us not under-estimate their powers. Besides this, whatever vote we may have, the

decision of the majority is binding. The only other alternative is that you do not become a member of that line.

I would illustrate it by one instance. When the Government ship used to go to any Japanese port, through the conspiracy of others the rates were lowered to something like  $1\frac{1}{4}$  of the prevailing freight rates and that too for lifting government cargo, not outside cargo or commercial cargo, with the result that the government ship had to lift that cargo at the then prevailing rate. Otherwise there would be the criticism that it was not lifted though the prevailing rate was such and such. They would so time the dropping of the rates that it would come into effect when the ship of the Eastern Shipping Corporation was berthing at any of the Japanese ports. A solution was found. I discussed it with the Railway Ministry. I said, take it at the prevailing rate.

Today no foreign government will agree to the payment of your freight in any currency but the two universally accepted currencies, viz. the sterling and the dollar. That is again one of the things which we are battling against—to see if we can save our foreign exchange by payment in terms of rupees. We are ploughing a lonely furrow on that issue; we have had no success at all. If it is a purely Indian concern, that concern may say: Whatever moneys I am spending abroad for the maintenance of my crew or whatever provisions or tackle I buy at foreign ports may be paid to me in foreign exchange; for the rest I will accept rupees.

These are the grave dangers.

The other points have been elaborated by my friend and if there is any further elucidation to be done I am prepared for that.

**Chairman:** If the concerns take payment only in dollar or sterling would that not accrue to the Indian Government proper?

**Shri C. H. Bhabha:** Yes; but the combine would be a foreign company

who would hold 40, 30 or 27 per cent. To that extent they will try to take it home and they will not agree to keep it here.

**Chairman:** What we understood was that it is only the profit or the dividend that the foreign company will be entitled to transfer to their parent country.

**Shri C. H. Bhabha:** As the policy stands today, they are entitled not only to remit their profits but they are entitled also to a repatriation of their capital along with capital gains. To avoid capital gains, they will be making additional profit in the way I have mentioned.

**Chairman:** I am speaking about the freight that will be earned by the combine. Will that freight not be credited first to the Indian coffers?

**Shri C. H. Bhabha:** Yes; that is correct.

**Chairman:** We shall only allow just the profit or the dividend to be taken away.

Supposing we do not allow any foreign interests to constitute any combine in our Indian shipping and with the help of the Government or with the efforts of the shipping companies themselves we can reach the target of 9 lakhs within the period of the Second Plan. Even then we are covering just some 10 per cent of the freight bill that we are at present paying. At present we are incurring a freight bill of Rs. 150 crores. Until we can increase our tonnage we shall have to go on paying this huge bill year after year.

There are two alternatives. We exclude foreign combines. Then we limit ourselves only to the extent to which our own resources can go. On the other hand, if by allowing foreign combines there is a chance of huge capital coming in and an increase of Indian tonnage to a large extent, to that extent you save the freight bill. Supposing we can have efficient checks on the directors whether we have a majority or not, is it not preferably

that we should allow foreign capital to form combines here so that we may save a large percentage of this freight bill?

**Shri M. A. Master:** May I place a few facts before you? At the time war came to an end, India had only about 98,000 tons of shipping. From 1946 to 1st April 1951, the pre-Plan period India acquired 3,33,000 tons of shipping or nearly 75 ships. Indian ship-owners invested about Rs. 22 crores from their own internal resources. During the period of the first plan, when the tonnage was costly, when the difficulties for getting a boat increased from day to day, Indian shipowners purchased 73 ships to the tune of 3,03,000 tons. They invested Rs. 44 crores—22 crores from their own internal resources and 22 crores by way of loan from the Government. I want to stress the fact that berths were not available and it was through the good offices of the Government and the efforts of the individual ship-owners that the berths were secured.

During the second plan period, owing to the great encouragement which we received from Dr. Nagendra Singh during the latter half of the year 1956, we placed an order for 1,68,000 tons—28 ships, 14 for the public sector and 14 for the private sector. Since then we purchased 15 more ships either on self-financing basis or on deferred payment system, with the result that today we have made commitments to the tune of 2,86,000 tons.

I beg to submit that India is under a planned economy. The study group recommended 10,45,000 tons. Mr. Bhabha and Dr. Ramaswamy were members. but I was merely invited by the Government to help. This was cut down to 9 lakh tons by the Planning Commission. Surely we can have no quarrel over that. Today it is not possible for me to go in for more ships than 9 lakh tons, because that is the target fixed by the Planning Commission. If the Planning Commission and the Government ask

us to go ahead, we shall be very happy to do so.

You have raised the point that we want to reach the target of 2 million tons. It is a desire which is shared by all of us, but under a planned economy there are severe restrictions imposed on us. If tomorrow the Planning Commission comes forward and says, let the Indian ship-owners reach the target of 2 million tons during the end of third plan period, we shall certainly put our heads together and try to raise the necessary finance and secure the necessary tonnage. But in the absence of such a policy, what the Planning Commission has laid down prevails. The Transport Minister congratulated the Indian ship owners, so far as the first plan was concerned, on the spirit, initiative and enterprise they had shown. There are serious difficulties in our way, and these difficulties have been fully appreciated by the Transport Minister. He told us last December, "Unfortunately Government had not given that encouragement and priority to shipping which it deserves." This is the view of the Transport Minister and not the ship-owners. He also told us that there was no co-ordination and co-operation amongst the different Ministries. I only want to emphasise that we are fully willing to co-operate with the Government in reaching any target which the Planning Commission may lay down.

**Chairman:** The question of foreign exchange comes in.

**Shri M. A. Master:** I have some experience in this matter because I have been Chairman of several committees and I have come into personal contact with the Transport Minister. The broad fact is today Government is the largest single importer and exporter. If you find we are charging higher rates, the Government can suggest that the rates should be settled on an average basis and it can be adjusted with the State Trading Corporation also. If tomorrow you lay down a target and say that the Indian ship-owners should reach it, I dare say the

ship-owners will put forward their best efforts. If only you will allow us to earmark the exchange which we earn, this will not be difficult. If you think Indian shipping could not stand on its own legs and if you invite foreign combines, would we not plead with you to allow us to utilise the exchange that we earn?

Secondly, Government laid down only a few weeks ago what is called non-lapsable shipping development fund. The Transport Minister encouraged us by saying, "Here is a perennial source of finance and you can have perspective planning." My only reply is, given a certain climate, we can do it. This climate is not peculiar only to shipping. It is peculiar to all the industries. You are not importing foreign equity capital for the railways or steel industry or Air India International. Only in the case of shipping you say you want to do it. You must have some solid balanced reasons for that. Shipping is much more vital from the point of view of defence and if that is so, why should equity capital be imported for shipping alone? If you tell us that this is the target to be reached, I do feel that the Indian ship-owners who have played their part so well during the last ten years will certainly come forward and explore all possible ways either by way of loans, commercial credit, loans from Government or from outside, self-financing basis, deferred payment system and so on, and will deliver the goods.

**Shri C. H. Bhabha:** As my friend has said, if the right atmosphere and climate are created, even if the target is pushed up, that can be fulfilled despite all the difficulties that are facing us today. I would only draw your attention to a similar situation which faced West Germany in 1948. Their foreign exchange position was no worse than ours today.

**Chairman:** No better.

**Shri C. H. Bhabha:** I said no worse because they received Marshal Aid. Despite all the difficulties, the law

that was promulgated in West Germany did not visualise any collaboration with foreigners to develop its merchant fleet. They made other arrangements and as a result of certain definite positive assurance of a long-term nature and certain definite policies that the West German Government pursued, the tonnage that Germany has today is greater than the pre war tonnage that Germany had, although it was one of those countries which was completely bereft of any merchant shipping.

**Shri Raj Bahadur:** They have got well developed ship-building yards. The comparison should be between equals.

**Shri C. H. Bhabha.** All those were nearly on the ground. When they started building ships, their troubles were as great and perhaps more than ours.

**Shri R. P. Sinha:** The Germans developed their shipping with American capital.

**Shri C. H. Bhabha:** It was not American capital as such. At that time they had what they called Marshal Aid Plan and they gave the capital goods for building ships. They gave the raw material. They also took an undertaking from the then West German Government that so much percentage of steel will be allotted for a particular important industry. In addition, subsidised loans were given by the West German Government to purchase tonnage. So, it was not merely American capital that was responsible, because as you must have known, the average American is very much hated all over Europe.

**Shri K. Periaswami Gounder:** In the case of joint-stock companies they want only majority shares.

**Shri C. H. Bhabha:** That is a different point. I am saying in answer to the Chairman's question that given the proper atmosphere, the target of 2 million tons could be reached. That is borne out by the fact that despite all disadvantages, other countries with shattered economies have not only

reached their targets, but exceeded them.

**Shri R. P. Sinha:** In order to reach the 2 million target, is it possible for the industry to arrange for commercial credit or other types of loan?

**Shri C. H. Bhabha:** It will be possible. Eugene Black has stated in his letter to the ex-Finance Minister that he would be prepared to give money for port and shipping development.

**Shri M. A. Master:** I would like to make one more observation. One important manner in which Germany helped people to build ships and expand the tonnage was through a system under which if any industry which made profits transferred those extra profits for the building of ships, those profits were free from tax. You will find from the published records that they run into several millions. I am quite sure that if our Government were to emulate Germany in their example there will be no difficulty of any capital from internal resources.

Another matter to which I would like to invite the attention of the Committee is the manner in which the Japanese developed their shipping. That is known as the sugar link. The profits from the sugar industry are transferred to finance shipping. There are various methods which you can explore. If tomorrow you were to request the Indian shippers to sit across the table with the Transport Ministry and the Planning Commission and show how to do it, the ship-owners can certainly put forward several schemes and, subject to the approval of the Government, they could be pushed forward, finances could be raised and tonnage could be obtained.

**Shri Ghanshyamlal Oza:** You just now referred to the tariff warfare carried on by Dutch companies. In case there is an Indo-foreign combine, would it not be equally affected by this tariff warfare as an Indian Com-

**Shri M. A. Master:** Is it your suggestion that the tariff war will compel us to make...

**Shri Ghanshyamlal Oza:** While making out a case that Indo-foreign combine should not be encouraged, you referred to the tariff war carried by the Dutch lines in India.

**Shri M. A. Master:** What I said was that if there is an Indo-foreign combine India would be speaking with two voices. So far, since both were Indians they spoke with one voice. That is the point I was making.

**Shri Ghanshyamlal Oza:** The Indo-foreign combine will also be equally interested in seeing that no tariff warfare takes place.

**Shri M. A. Master:** I am afraid not, because the representatives will represent the parent company if they are diametrically opposed to us.

**Shri Ghanshyamlal Oza:** Not perhaps in all cases.

**Shri M. A. Master:** I would not say in all cases; but it would be so in 99 cases out of 100.

**Shri Ghanshyamlal Oza:** You said that the master and engineers have got wide powers. If you look into the provisions of this Bill, particularly clause 69, you will find that they empower the Government to prescribe by rules to whom such certificates are to be given. Can the Government not regulate the issue of certificates only to Indian hands so that the interest of the country will be safe? Don't you think that the difficulty can be obviated?

**Shri M. A. Master:** What you said is perfectly correct. But Mr. Bhabha referred to another point. What we were submitting was this. It is not that our Government has not got the power to issue a certificate of competency either to our nationals or to foreigners. My friend at the other end is making the point that a foreigner can be issued a certificate of competence by the India Government, and I know that the Government have got the right to do so. But Mr. Bhabha was referring to a different



point. The point that he was making was that when there is a foreign combine—and a foreign combine will naturally have a holding company at the other end, the parent company, as they call it—they might employ as master and engineer men of their own choice, and that is bound to create difficulties.

**Shri Ghanshyamal Oza:** Can the Government not insist upon employment of only Indian nationals in certain positions?

**Shri M. A. Master:** Government can pass any legislation and they can do anything they like. But I do not know how far our Government will be prepared to go in that connection.

**Shri J. H. Joshi:** Today you said that the freight charges of cargo from Calcutta to London, which were 100 shillings previously, on account of the keen competition between two companies, were brought down to £0/1/6. I am reminded of a similar incident in which the British India Steam Navigation Company ran into competition with a German Company 30 years back before the first war and the passenger fare was reduced from Rs. 100 to Re. 1/- and some passengers were even carried free. In the present circumstances, if the proposed Bill is passed, would the same cut-throat competition continue?

**Shri M. A. Master:** My answer is this. So far as our coastal trade is concerned, the Government have got the power to give a licence. Government can withdraw the licence of a shipping company which is carrying out a freight war. But, so far as the overseas trade is concerned, Government has absolutely no voice. The rates of freight are fixed by the companies concerned. A German company will not take their instructions from our Government, nor Dutch Government or Scandinavian Government. The point is that any foreign line is entitled to come to our ports, load cargo and discharge cargo. That is the international position. That being the international position and the fact

being that they cannot accept the instructions from this Government, the same freight rate will continue.

I will make only one more observation in this connection. The most important consideration that we have to bear in mind is the export drive. When there was a likelihood of increased trade with China when we built some markets there, the P. & O. raised their rate of Rs. 15. Tatas were having a few steamers and they wanted to carry freight at Rs. 6/-. The P.&O. immediately reduced their freight from Rs. 15 to Re. 1. As soon as Tatas disappeared, the rate was raised to Rs. 17/8/-. What has happened in the past will happen on future occasions, because it is not a political consideration; it is a question of pushing the trade of one country. Therefore, I do say that the Dutch freight war will repeat again whatever powers our Government may possess.

**Shri J. H. Joshi:** You also stated that refugees were lifted from Pakistan and were brought to our country by our shippers and the foreign ships declined to do so. Do you hold the view that same attitude of the foreign ships would continue if this Bill were passed into law?

**Shri M. A. Master:** It all depends upon the political conditions at that time. If the foreigners' political aspirations do not coincide with our political aspirations, it is more than possible that the same attitude will prevail in the future.

**Shri J. H. Joshi:** You said that the British India Steam Navigation Company is a foreign company. May I know which flag it is flying? I want this for the sake of information.

**Shri M. A. Master:** British flag.

**Shri H. N. Mukerjee:** I do not propose to go over the ground covered by others or ground which we have in common. But I am glad that Shri

Master and Shri Bhabha are appearing before us as independent industrialists and not as spokesmen of the ship-owners. I notice that they have drawn a comparison between the assistance which has been given to the iron and steel industry in this country and how the shipping industry has been treated rather like a Cinderella. Now, in regard to iron and steel industry, Government has found it necessary to have the installations, a major part of the installations at any rate in the public sector. That is to say, the future development of the iron and steel industry would be in the public sector, and the iron and steel works already started in the private sector would naturally get whatever assistance they deserve. Now, in view of the craftiness of the foreign money-making interests, about which we have heard so much, and in view of the difficulties which are being experienced by the private capitalists in the shipping industry without very substantial and very imposing Government assistance, I would like to know the views of Mr. Master and Mr. Bhabha about the policy of nationalisation as far as the shipping industry is concerned. I do not mean that the present interests in the shipping industry should be taken over, but the future development would be in the direction of nationalisation. I would like them to assure the Committee that in that case the talents of those who are working in the shipping industry in the private sector would be placed at the disposal of the country.

**Shri M. A. Master:** My reply is very simple. Up till now, the Indian shipping companies have not received any subsidy or financial help, as is being given in every maritime country of the world. The help which the Government has given to Indian shipping is the granting of loans. That has been due to the fact that the climate for the formation of capital has become very difficult in the country. I shall not elaborate that part of the argument here.

My friend puts me the question: what will be our attitude towards the policy of nationalisation. Let me humbly remind my friend of the fact that under the existing industrial policy, which the Government announced in April 1956, they have laid it down that they will be the major partners, so far as the transport is concerned, with the ultimate idea that they want to monopolise the transport. I wrote an article on "Will Indian shipping be nationalised." Government spokesmen gave a reply on the floor of the House that it was not their intention to nationalise Indian shipping. I do not know whether any radical change has been made in that policy or not, as I am not in the secrets of the Government. But looking at the shipping industry as a whole, looking into the manner in which the shipping requires to be managed, looking to the fact with the experience derived all this time, it would be much better to leave Indian shipping in the hands of the private sector. But what the Government should do is not a matter in which I am competent to advise them.

**Shri H. N. Mukerjee:** What I wanted to find out from the witnesses here was in view of the peculiar difficulties of the situation, and in view of the urgent necessity of increasing our tonnage in as quick time as possible, and in view of the particularly crafty obstacles which are put in the way of the development of Indian shipping by the foreign capitalist interests, it may conceivably be necessary to extend the orbit of the public sector, as far as shipping is concerned, and in that case it is important that we get from the representatives of the industry in this country, and specially of those who are participating in the development of shipping, a kind of assurance that co-operation would be forthcoming in supporting the country in regard to the development of shipping.

**Shri M. A. Master:** So far as the present position is concerned, Government's policy is to confine itself to

9 lakh tons. People were talking of reaching the target of two million tons. But I have no information of any particular plan which the Planning Commission has evolved in the matter. Let the Planning Commission evolve a plan. As and when our country has reached the target of two million tons, I can assure my friend that all the Indian ship-owners, of course, I am not competent to speak on behalf of all the ship-owners, but of what I know of the Indian ship-owners I can say this without fear of contradiction—they will place their services at the disposal of the Government.

**Shri H. N. Mukerjee:** What is your anticipation in regard to the capacity of the shipping industry as it is at present constituted to reach the target not merely of 900,000 tons by the end of the Second Five Year Plan but a target of 2 million tons as soon as possible and the target of at least a quarter of our foreign trade in as quick time as we can? Could you give us a time limit so that as Members of Parliament we could get Parliament to do it?

**Shri M. A. Master:** Given the proper climate and given the proper assistance, which, of course, shipping is entitled to receive from Government, in my humble opinion, the ship-owners can reach the target of 2 million tons by 1965.

**Shri Dhage:** I will supplement the question of Shri Mukherjee and it will be helpful if Shri Master is able to reply. My question is this. If the Government comes in the field of shipping by floating a corporation of their own, apart from the question of nationalisation, will it.....

**Shri Raj Bahadur:** We have already got that.

**Chairman:** We have already got two corporations.

**Shri M. A. Master:** Let me make the position quite clear. The attitude

of the Indian ship-owners towards a government corporation has always been that of intensive cooperation. It is the Scindia Co. that first joined the first Corporation which was floated by Government, put in their capital and worked as agents till the new Companies Act asked them to quit that position. And yet the Scindia Co., has been cooperating. If the Government were to start a third or a fourth corporation tomorrow, so far as my knowledge goes, all the Indian ship-owners will give their cooperation to Government.

**Shri Tangamani:** I would like to refer to some of the points raised in your memorandum. In paragraphs 16 and 17, you refer to the amount invested by the private industrialists, namely Rs. 44 crores during the first Plan period and during the first two years of the Second Plan period a sum of Rs. 17 crores. May I know how much more will be invested for completing the target of 9 lakh tons?

**Shri M. A. Master:** The answer is very simple. Let me summarise the figures. In the pre-Plan period, the ship-owners invested Rs. 22 crores from their own resources. In the First Plan period, the Indian ship-owners invested another sum of Rs. 22 crores from their own resources and Rs. 22 crores by way of loan. During the Second Plan period, out of the sum of Rs. 37 crores which the Planning Commission had allotted to shipping, Rs. 20 crores have gone to the public sector and Rs. 17 crores have gone to the private sector. And, a further sum of Rs. 10 crores have been invested by the Indian ship-owners from their own resources. The Indian ship-owners need an exchange of about Rs. 15 crores to fulfil the target of 9 lakh tons. They do not need the rupee resources for that purpose. In other words, as against Rs. 10 crores which they have invested today, they will be able to put a further Rs. 16 crores from their own resources.

**Shri Tangamani:** In paragraph 12 of your memorandum you stated the policy of Government that 50 per cent.

of the trade should be borne by our own industry. May I know how much is being covered now and when you will be able to reach the target of 50 per cent?

**Shri M. A. Master:** As regards the present position, according to the figures that are available, Indian ship-owners have been carrying about 6 per cent. of the overseas trade. The Planning Commission suggested in their report that we should at least reach the target of 15 per cent.

One important point which we should note in this connection is that Indian overseas trade has been rapidly increasing. It has gone up from 20 million tons to 25 millions. This would necessitate the revision of the target of 2 million tons to carry 50 per cent. That is the present position.

I do not know what particular point my friend has in view in asking this question.

**Shri Tangamani:** Government's aim is that ultimately 50 per cent of the foreign trade will have to be carried by our own shipping.

**Shri M. A. Master:** I fully appreciate the point which my friend has been making that Indian shipping should carry about 50 per cent of India's overseas trade.

**Shri Tangamani:** I want to know whether there are difficulties in the way, governmental or otherwise.

**Shri M. A. Master:** If the Government were to change the existing policy of chartering for the large number of commodities which they have been importing and if they were to arrive at an understanding by discussion with Indian ship-owners, a lot of tramp shipping could be put on the seas.

One Indian shipping company has already been in the field. It has put 3 ships for carrying on what is known as the tramp trade. Some time back Government themselves re-

quested me to give them some indication as to the extent to which tramp shipping could carry the trade. I pointed out that out of 20 million tons of the entire trade including oils, 55 lakhs of tons were carried by tramp ships. It is for the Government to discuss the matter with Indian ship-owners. There are two trades; one the liner trade and the other tramp trade. Now, as we are importing wheat, steel, fertilizers etc. and exporting iron and other ores and various other commodities, it will not be a very difficult proposition to evolve a scheme of what is called tramp fleet in this country owned by the nationals of the country which will increase the trade from 6 per cent to at least 20 per cent straight-away.

**Shri Tangamani:** In your memorandum you mention that there are certain seafaring countries owning nearly 60 per cent of the total tonnage of 110 million tons and they allow certain control by foreign nationals. That is mentioned in your statement also. May I know what is that sort of control and whether that control takes away the independent functioning?

**Shri M. A. Master:** What we have stated in the memorandum is this. There are countries which own today nearly 69 per cent of the tonnage in the world which do not allow any foreign individuals to own shipping—including Great Britain. Then, we have stated that there are certain countries which impose restrictions in regard to the owning of capital. But, in a large number of countries, the entire or the predominant direction, management and representation is in the hands of nationals. For instance, in Japan, it may be possible for any foreigner to start a shipping company. But, the Board of Directors, the Managing Directors and—what is much more important—all the representatives must be Japanese. That is to say, if any representative is to be sent to a Conference that

representative must be a Japanese. That is the point to which I have invited the attention of the Committee.

**Shri Tangamani:** We have been dealing with foreign interests and other subjects....

**Chairman:** I quite realise the position. Members should also realise that we will be meeting only upto tomorrow and that we work 3 hours a day. The limitation has been there which has been put by the Members upon themselves. We have to finish the business. There is an association whom we have not yet called and who have informed me that they cannot wait till tomorrow. Anyhow, we shall have to finish all this. The time factor is there.

**Shri Tangamani:** In the Bill there is provision for the Director-General which is already existing. You have suggested that it will be advantageous to have a Shipping Board. You also say that in that Shipping Board, along with the Chairman, there should be two non-official members. May I know what is the purpose of having such a Board? What powers do you propose to give to this particular Board? Is it something like the Port Trust or the Dock Labour Board or the Passenger Transport Board in U.K.? What is the sort of Board you conceive of?

**Shri Dhage:** Why don't you want the Director-General of Shipping?

**Shri M. A. Master:** We have pointed out in our memorandum that we have grave apprehensions about the wide powers which are embodied in clause 392 and 397 of the Bill. Even if those powers were given to Government, it would be highly prejudicial to the growth of shipping. I do not know of any important maritime country where power is given to Government to say that you shall sail your ship in a particular route in the overseas trade. I do not know of any important maritime country where it will be competent to any authority to tell the ship-

owner that he shall go to a particular port only and that he shall lift cargo from a particular port only or that he shall not take passengers from a particular port. We have pointed out in our memorandum that, in our judgment, these wide powers should be taken away from the Bill.

The second suggestion that we have made is that there should be a statutory board. You will remember that so far as the report of the C. P. Ramaswamy Iyer Committee is concerned—the Shipping Policy Committee—this statutory board is there and it has been accepted in principle in the resolution which Government adumbrated in the year 1947. We think that if there is an independent board in the manner we have suggested, it will be possible for them to do better justice to large questions of policy about which we have also made a reference in a separate paragraph in our memorandum.

**Shri Tangamani:** What would you like to be the legal status of ships—whether real property or personal property or partly real and partly personal?

**Shri Dhage:** In any case, they want the mortgage to be done. They want that they should be allowed to mortgage.

**Shri Tangamani:** You have referred in your memorandum to mortgages etc.

**Shri M. A. Master:** The only point referred to in the memorandum is this. We are now going in for ships either on the self-paying basis or on the deferred payment system. If we have the deferred payment system, we have to mortgage the ship. That mortgage is absolutely different from ordinary mortgages that we have made. It has been definitely laid down that it is movable property. If it is a question of deferred payment, it will be very difficult for the Indian ship-owners to obtain the finance which the Gov-

ernment are very anxious that they should obtain. It is from that angle that we have pointed out that this particular provision should be liberalised.

**Shri Ghosal:** Having regard to the fact that many projects are being automatically pushed into the Third Five Year Plan and in view of the fact that the Third Five Year Plan will be full of projects and taking into consideration also the fact that there is no chance of a bumper crop in the near future, do you think that the foreign exchange problem will be solved in the next 6 or 7 years?

**Shri M. A. Master:** Just as Government have been securing commercial credits and loans for very important industries and for their own projects—and I have given reference to Mr. Eugene Black's letter that the World Bank is willing to advance money to ports as well as shipping—if that line is exploited, I feel certain that we shall be getting a few crores to begin with to step up our tonnage.

**Shri Ghosal:** We have heard for the last six or seven years no new businessman has entered into this business. May I know whether it will be possible for the shipowners, if this foreign exchange trouble continues, to collect that amount to increase the tonnage?

**Shri M. A. Master:** Scindia company took 15 years from 1919 to have a tonnage of only 46,000 tons because they were under the British rule. The moment they got their own Government, the Scindia fleet increased their tonnage to 75 ships. Similarly the Great Eastern and other companies also increased their tonnage. There are 30 shipping companies today on the Indian register and I dare say more may be coming provided the climate is proper and they receive the necessary help from the Government, as the Government themselves have indicated in various resolutions and speeches.

**Shri Ghosal:** If we accept the 51:49 basis, do you think foreign exchange will rush into India?

**Shri M. A. Master:** I do not think so. That is not the only view to look at it. I would examine it from various viewpoints—strategic viewpoint, international viewpoint, commercial viewpoint, export drive viewpoint, etc. Taking the entire picture, I am definitely of the opinion that it will not be in national interest to invite any foreigners to start any combine here.

**Shri Vijay Singh:** You have enlightened us on the working of international conferences and certain problems that the shipping industry is facing. There are two very important considerations to bear in mind. We have made very little progress in the development of shipping industry in the last 7 or 8 years. The great problem before us is the drain on foreign exchange, because we have not got our own shipping concerns.

You have pointed out two dangers if we allow foreign concerns to come into India. One is we will be outmanoeuvred in international conferences and the second danger is if some emergent conditions arise, just as the evacuation of nationals from Burma or Pakistan, we may face certain difficulties. These are two remote contingencies which we may face if we allow foreigners to come into our country; but, nevertheless, I admit these are difficulties which we have to consider. At the same time, there is another consideration, namely, that we want rapid development of our shipping industry. There are pros and cons in both. In view of all the considerations, which risk would you prefer? Should we forego the immediate development of our shipping industry and avoiding the two dangers which I have just now mentioned or face the risk of these dangers and look to the immediate development of the shipping industry?

**Shri M. A. Master:** This question raises several issues. In the first place, it is a matter of opinion whether Indian shipping has made satisfactory progress. One important thing to remember is that we cannot exceed

the target which the Planning Commission has laid down. In the first Plan, they laid down a target of 6 lakhs tons. The Indian shipowners reached that target and the Transport Minister congratulated them on their initiative. In the second plan, the target has been curtailed from 10,45,000 tons to 9 lakhs tons and we have already indicated how we propose to reach that target. It is not the fault of the Indian shipowners that they have not gone beyond 9 lakhs tons.

The second point is the capital which the Indian shipowners have been able to invest since we became independent. I think during the second plan, it will be about Rs. 103 crores. So, compared to various other industries like the textile industry, steel industry, cement industry or sugar industry, you will find that Indian shipping has given a very good account of itself.

As for the question when shall we reach the target of 2 million tons, I have already said that given the proper atmosphere, if the Planning Commission and the Transport Ministry were to invite the Indian shipowners and place before them a plan, I have not the slightest doubt that the Indian shipowners will rise equal to the occasion and reach the target in the time laid down.

**Shri Vijay Singh:** I think my question is not properly understood. There would be two opinions on the question whether the shipping industry has made good progress or not despite the difficulties. Apart from that, today we want to develop our industry as rapidly as we can in order to save foreign exchange to the tune of Rs. 150 crores. That is the immediate advantage if we develop our industry as rapidly as possible. As against this, there is this remote or genuine fears which you have expressed. But in view of our international policy, why should we assume that all the interests in the world will combine against India, and if that is so, why should we not take advantage of the immediate benefit that we can get?

**Shri M. A. Master:** There is not the slightest difference of opinion between us and my learned friend at the other end in regard to the reaching the target of 2 million tons in as short a time as possible. We are quite prepared to do that, but why insist only on equity capital? There are various other ways in which finances can be raised—loans, commercial credits, etc. My friend asks, "why are you so much afraid of the damage that the foreign combine representatives might do at the international conferences?" I hope he will forgive me if I say that the conferences are held from week to week and month to month, but questions arise from day to day and a decision has to be taken. It is my personal experience and my friends also have told me that it will be a grave danger if foreigners sit along with the Indian nationals in these conferences to decide these questions. That is why I say it is disadvantageous to Indian shipping if two voices prevail. I have not the slightest doubt in my mind that any representative of a foreign combine will take his instructions from the parent company. This is what I feel from my experience of nearly 40 years of Indian shipping.

**Shri J. S. Bisht:** I find myself in the midst of a cruel dilemma and I want you to help me out. After hearing you, there are only two alternatives before us. We want rapid development of the Indian shipping industry and we have got to get foreign participation. Secondly, if the danger in having foreign participation is so great as you say, the other choice is that we should be content with a slower development.

**Shri M. A. Master:** I have not got any dilemma as my friend. My answer is very simple. Instead of importing equity capital, we can raise the necessary finance by way of foreign loans, commercial credit and so on. I can assure him that we shall rise equal to the occasion and reach the target as quickly as possible.

**Shri J. S. Bisht:** The Government has got no foreign exchange and the foreign exchange position is not going

to improve for the next six years. Commercial credits, foreign loans, etc. are merely vague; they may or may not come. On a concrete ground, the choice is that we should be content with a slower development rate which may be only 13 lakhs tons by the end of the next five year plan, instead of 2 million tons.

**Shri M. A. Master:** I find from the questions that have been put that all the members round this table are as anxious as we are to see that the target of 2 million tons is reached quickly. May I make an appeal to you that this committee should make a strong recommendation to the Planning Commission to evolve a scheme for reaching that target? It is not only the foreign exchange difficulty. The Government have been solving the foreign exchange difficulty by way of loans and commercial credits. In my opinion, shipping is more vital to the country than steel and other things.

**Shri Radha Raman:** We have been listening to you as well as the other witnesses yesterday and the day before and we find that there is divergent opinion with regard to foreign participation and to continue with the existing condition. In the existing condition, foreign participation to the extent of 25 per cent. is allowed without control and management being given to the non-nationals. After listening to all the witnesses, if ultimately Government comes to this conclusion that foreign participation under the present circumstances is absolutely necessary and we have to reverse our previous policy. Will my friends here suggest how the existing safeguards which in the Bill have to be improved or modified in order to create a better condition.

**Shri M. A. Master:** I am sorry there will be repetitions in the answer because the questions are of such a character.

**Chairman:** There is a little difference. The question before us, suppose this committee decides on having

foreign participation up to 49 per cent.; in that case, do you think that Chapter XII which deals with control by Government requires to be strengthened in any way?

**Shri M. A. Master:** Our opinion is very definite and clear. If the 51:49 basis or any such formula is evolved, it will be highly detrimental to the national interests of the country.

Secondly, there are certain controls provided in Chapter XII. Even if you make these controls more stringent, it will not be possible for our Government to achieve the object in view which we have referred to earlier.

**Shri V. K. Dhage:** I read through the memorandum of Mr. Master and Mr. Bhabha. They have taken great pains to say that the definition as now put in the Bill is something which goes against the Government assurances given from time to time. Now, our Government is a nationalist Government, and what they must be doing must be in the interests of the country. I would, therefore, like to know from you as to what, according to you, must have been the reasons that have promoted the Government in changing the policy.

**Shri C. H. Bhabha:** So far as I am concerned, I feel that the question has been asked in the wrong quarters. In the first place, we do not represent the Government. Our intrigues and puzzles are as great as yours. It can be solved only by Government.

**Shri V. K. Dhage:** I want to know whether they have any information in this regard—the reasons which prompted Government to take this decision.

**Shri C. H. Bhabha:** We are as much intrigued on the completed reversal of the policy, as has been enumerated in clause 12 of this Bill, regarding the definition of "Indian shipping". Whatever may be the explanation for the change of policy should have been forthcoming from the official sources. I do not think we have much of information on the subject.



**Shri V. K. Dhage:** Would it be correct to say—would your feelings also be that of mine when I say this—that probably in the drafting section there has been some sort of a mistake?

**Chairman:** I do not allow that question.

**Shri V. K. Dhage:** In the memorandum from paragraph 51 onwards they have stated that the scheme for an increase of tonnage can be fulfilled if the Government were to co-operate with the shop-owners in this regard. Would you kindly explain to us some of the facts in the memorandum which are not very clear? They refer to financial credit etc.—the various methods by which you want the Government's co-operation by which the targets fixed by the Government can be fulfilled in time.

**Shri M. A. Master:** We have stated in our memorandum that if the Government were to release the foreign exchange that the ships have earned after 31.1.56 for being utilized for the purchase of additional ships, we would reach the target of 9 lakhs of tons within the time or even a year earlier. We made a request to the Government to that effect. Government, of course have not been favourable, and they are not allowing that exchange. I can understand that the Government might have taken into consideration the exchanges which the ships would earn when they made their calculations in 1955 if the ships which were then in existence. But we were referring to the ships which were not in existence, which were delivered after 31st March. This is one of the ways in which internal finances could be raised to the tune of Rs. 20 crores. I am quite sure that if you are convinced that this is a reasonable request, and if this Committee would be pleased to make that recommendation, you would easily find that 9 lakhs tons is reached by 1960.

**Shri V. K. Dhage:** Is there any other method?

**Chairman:** In answering this question, if you have got anything new to  
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say, apart from what has been stated in your memorandum, you can say so. Otherwise, there is no point in repeating the same thing.

**Shri M. A. Master:** I quite appreciate that. But, if a question is put to me, it is my duty to enlighten the person who puts the question.

**Chairman:** Not by repetition. You can just say that it has been already explained by you in various ways. You can say there is nothing more to add.

**Shri M. A. Master:** May I then say that all the methods of financing that additional tonnage have been referred to in our memorandum?

**Chairman:** Yes.

**Shri M. A. Master:** I would invite the attention of the hon. member to what we have stated in the memorandum.

**Shri V. K. Dhage:** Some people who gave evidence yesterday in this regard stated that even if the Government were not to release the foreign exchange, as you now desire, if other facilities are given, you could raise that foreign exchange without the Government releasing it. Do you also support that view?

**Shri C. H. Bhabha:** Actually, without any Government release of foreign exchange, I think at least three or four ships have been bought through the kind assistance of some banks of this country who, with a view to assist Indian shipping, have of their own, with the help of other shipping companies, raised an initial foreign loan which went to make up 15 per cent., and the balance is to be paid from the export earnings. This method was adopted by the ship-owners of their own in order to get out from the present difficult position of asking for an immediate release of foreign exchange. That is one method. There are other methods also. One or two of these have been suggested in the memorandum.

**Shri V. K. Dhage:** These two methods, which he is referring to, are not quite clear. If they are clear to other, I will ask him privately.

**Chairman:** If he has got to say anything more than the memorandum, we will ask him. Otherwise, we can just refer to the memorandum.

**Shri V. K. Dhage:** It is not very clear.

**Chairman:** If he goes on repeating the same thing, there is no end to it.

**Shri V. K. Dhage:** The witness is here to explain the memorandum, and I can certainly ask him to explain to me what he means thereby. If he does not explain to me, then I shall certainly pass on. Otherwise, there is no use of the witness appearing before us.

**Chairman:** In that case, you may just refer to the memorandum and ask him questions.

**Shri V. K. Dhage:** I would invite your attention to page 23, paragraph 51. There you refer to foodgrains etc. How do you realise foreign exchange. I want you to make it clear.

**Shri M. A. Master:** Suppose Government has to export X quantity of a commodity and import Y quantity of another commodity and suppose the freight of these commodities would be Rs. 5 crores. In any case, the Government would have to spend that foreign exchange. Our suggestion is to hand over the foreign exchange in advance to the Indian ship-owners. The Indian ship-owners will see that they incur disbursement to the tune of 40 per cent. Out of Rs. 5 crores, they will keep Rs. 2 crores foreign exchange to meet the disbursement at foreign ports and they will straightaway buy Rs. 3 crores worth of tonnage so that they can augment the Indian tonnage. And from this tonnage whatever freight is earned would go to the foreign exchange pool of the country. If the ships which would be bought by Rs. 3 crores of rupees, which for argument's sake are not sufficient to fulfil

the guaranteed carriage of commodities on that particular route, the ship-owners would be prepared to augment their fleet by their own ships which are running on some other routes. This is the way in which by giving an advance payment of the foreign exchange, a scheme could be evolved with the co-operation of the Government to have additional ships.

**Shri V. K. Dhage:** Now in regard to settlement of labour disputes, they are thinking in terms of negotiation between the labour and the ship-owners, and not in terms of reference to the Tribunal. Why do you want the Tribunal to be eliminated? Do you want the Tribunal to be eliminated in every respect or in some respects and not in others? I want enlightenment in this matter.

**Shri M. A. Master:** As sections 142 and 143 stand today, Government are assuming to themselves power to refer any dispute, whether in existence or only apprehended, whether it is in reference to the seamen employed or not *ab initio* to a Tribunal. Our submission is that the disputes should be referred to the maritime organisation, which is tripartite at present, which, in due course, will be bi-partite, which will settle it by collective bargaining, instead of following the compulsory adjudication method which, of course, as is well known, is not accepted in the modern age even by our own leaders. So, we have suggested that this reference to the tribunal *ab initio* should be done away with. If the seamen and the ship owners, for any reason, ultimately cannot come to any settlement, we have suggested another method in our memorandum.

**Shri Mool Chand Jain:** What is the reaction of the shippers to the Planning Commission's decision not to include shipping industry in the "hard core" of the Plan?

**Shri M. A. Master:** If I understood the question right, the ship-owners were asked to submit a memorandum as to what should be the target. They submitted a target of 10,45,000 tons.

They were disappointed, as much as the Transport Minister, that the target was lowered. I do not think any other reference has ever been made by the Planning Commission to the Indian National Steamship Owners' Organisation in this matter.

**Shri M. C. Jain:** To what extent can the former policy on shipping and the policy embodied in this Bill can be changed without risk to our national interest?

**Shri M. A. Master:** In my opinion the provision in the present Shipping Policy should stand. It is the minimum. The first time the recommendation came up for consideration, Government found certain difficulties. My friend Shri Bhabha who was the Commerce Minister would, probably, be able to explain the position better. But, in my judgment, the present policy should stand and it should not be changed in any way. That is the minimum we want.

**Shri Bhabha:** I agree; but I do not think we have referred to the genesis of that policy.

**Chairman:** It is in the memorandum.

**Shri M. C. Jain:** If equity capital is allowed may we not expect the foreigners to help us in opening up new lines or in some other matters?

**Shri M. A. Master:** The result will be quite the contrary. This is based on my experience which extend over 4 decades.

**Shri M. C. Jain:** Their interests and our interests will be the same to some extent.

**Shri M. A. Master:** I would not agree with the proposition that their interests and our interests will be the same. They would only come for profit seeking and not for developing Indian shipping.

**Shri Periaswami Gounder:** If all the foreign exchange earnings of the ships are allotted to you will you be able to

reach the target of 9 lakhs tons during the Second Five Year Plan and the ultimate target of 2 million tons?

**Shri M. A. Master:** To this point of my friend, I will put the answer this way. Indian shipping is contributing about Rs. 10 crores today to the foreign exchange pool of the country. When we reach the 9 lakh tons, we will be contributing about Rs. 20 crores; in 5 years Rs. 100 crores and if you give me the foreign exchange I will reach the target.

**Shri Periaswami Gounder:** How much of foreign exchange do you require to reach the target of 2 million tons?

**Shri M. A. Master:** That will depend on the type of ships you want, the service you want to give. The tonnage market has gone down and I do not know what it may be after 4 or 5 years. If we survive we will require less than Rs. 100 crores.

**Shri Akbar Ali Khan:** We are glad that a member of the Committee and the Minister responsible for the Resolution of 1947 are before us. I want to know, so far as 25 per cent. is concerned, whether they still hold the same view or whether they have changed their view. Are they still committed to the view that we should have 25 per cent. foreign combine?

**Shri M. A. Master:** I was a member of the committee which made the recommendation. Our view is that there should be 100 per cent. ownership of the nationals. I stick to that view. But, in order to tide over the difficulties already referred to in the memorandum, Government decided to have at least 75 per cent. Government have themselves said that the ultimate objective is 100 per cent. We bow down to that objective and stick to that.

**Shri Akbar Ali Khan:** Has the idea of that Resolution that the foreigners will participate in this undertaking been fulfilled to your expectations?

**Shri Bhabha:** There was no idea of foreigners coming to participate in this business. As has been said, our idea then was to accommodate the circumstances then prevailing. There were other reasons for having non-Indians as shareholders. That was why Government decided that 25 per cent. may be permissive. The general idea was that as time went on, there should be no participation by any non-Indian in this very strategic and very vital line of our economy.

**Shri Akbar Ali Khan:** So far as that part of it is concerned, I think you will agree that there has been no participation even on that permissive basis.

**Shri Bhabha:** We know that.

**Shri Akbar Ali Khan:** The other thing is you did contemplate then that in 1956 you will complete the target of 2 million tons.

**Shri C. H. Bhabha:** That was the goal laid before Government on the recommendation of the expert committee consisting of Indians and non-Indians. That was the goal which could have been achieved not by this measure. This was, as I said, a permissive sort of thing to meet the circumstances then prevailing.

**Shri Akbar Ali Khan:** We as well you and anybody in this country are keen to increase shipping. Let me assure you that we have great regard for you for the services that you have rendered through different sources for increasing shipping.

Supposing the foreign exchange allotted by the Planning Commission is diverted to other things as you have suggested for some reason or other—with which you may agree or not—would you not agree that the only solution would be to have foreign capital subject to the fullest safeguards for the security of our country?

**Shri Bhabha:** We have our grave doubts on that also whether foreign capital will be just walking into your

parlour with conditions and clauses of restrictions that you may think of putting on them. If foreign capital comes in, it is not for the love of India or Indian shipping. It will come in with a definite purpose and that purpose will be to preserve its rights in a particular place from which it is gradually eliminated, to make as much profit in as short a time as possible and to serve its own purpose and not ours.

**Shri Akbar Ali Khan:** Don't you think that this is a very favourable and propitious moment to buy ships, the conditions of the world giving us an opportunity to buy with lesser capital cheaper and better ships?

**Shri Bhabha:** Yes, it will depend on the cost. The market has been falling now for over the last 8 months or so; and, during the last month or 6 weeks, even the tonnage market has fallen by another 10 per cent. So, you can never know when the bottom is reached. As in any other market, you cannot buy at the rock bottom but a gradual purchase of ships at this time may be propitious and favourable to Indian shipping.

**Shri Akbar Ali Khan:** If we secure full control and the national security is safeguarded, then, I do not think, you will have any objection if we have foreign capital.

**Shri Bhabha:** I doubt very much, as I have said, that our national interests would in any form or shape be safeguarded in an industry which has to stand international competition, which has to abide by certain international laws and conventions and which has to enter into a line of business which is guided largely through Conferences and other regulations of that industry. I for one do not believe in any such shortcut; it may imperil our national and economic life.

**Shri Akbar Ali Khan:** You will agree that there are two forms of control, one through the Board of

Directors or the shareholders and the other through Government. Certainly, government control is more important than control that you get through the board.

**Shri Bhabha:** My way of thinking is a little different from your way of thinking.

**Shrimati Savitry Devi Nigam:** It has been said that if foreigners are allowed to own and control ships, they will be speaking with two voices. In most of the cases businessmen of every nation have to be always guided by profitable propositions if they want to survive. How then would foreign participants be so unthoughtful of their own interests as to take the side of their nation in these conferences as against their business interests thus destroying their whole future career? I want some clarification on this point.

**Shri M. A. Master:** In my previous remarks I have referred to certain instances which would clearly show that the presence of foreigners will not in any way be helpful. I would submit that these foreigners would be the representatives of the principal company which will certainly hold different views. I think we have explained this matter in our previous remarks and I do not think I need weary the Committee with further remarks of the same nature.

**Shrimati Savitry Devi Nigam:** When the interests both of foreign participants and national participants are always tied up how can they go against their own interests in order to help their own nation?

**Shri M. A. Master:** Foreigners will have various other interests to take into consideration. They would not be looking to the Indian national interests alone when they are in a combine. We cannot depend on the foreigners always to speak on behalf of India and Indian interests.

**Shrimati Savitry Devi Nigam:** I would also like to have your views about foreign participation in the

ratio of 40—60 or any other with stricter control.

**Shri M. A. Master:** I do not know what this 40—60 refers to. I know of several countries in which the control and management rests entirely in the hands of the nationals. For instance in America, the Chairman will be an American, the Managing Director will be an American etc. As regards Japan, all the members of the Board of Directors will be Japanese. Not only that; all the managers will be Japanese and the representatives will be Japanese. It has also to be remembered that these are all highly developed maritime countries who can take care of themselves because they have wide interests. India is in a state of infancy and Indian interests, therefore, can only be promoted in my judgment by Indians themselves.

**Shrimati Savitry Devi Nigam:** Suppose the Government have to accept the 51:49 basis, what other safeguards would you suggest from your personal experience?

**Shri M. A. Master:** We have already submitted that we do not believe in the doctrine of 51:49. I do not want to enter into that field by accepting that doctrine and suggesting safeguards.

**Shri R. P. Sinha:** There is one thing which intrigues me and I want some elucidation on that. My hon. friends are aware of the 50—50 slogan. All the national governments of other countries have been forced to accept this 50—50 slogan and the hon. witnesses, who are the shipowners in India have also been pleading that the same attitude should be adopted by our own Government, which should see that 50 per cent of our cargo is carried by the Indian ships. But the witnesses have just explained that it is hardly possible for the Government to influence the functioning of the conferences or to influence the way in which the cargo can be carried by our own ships or other ships. We cannot dictate that the cargo be carried this way or that.

**Shri M. A. Master:** It is the American Government which has enacted by legislation that 50 per cent of the cargo should be carried in American bottoms. We have been importing large quantities of wheat under PL 480 and whether our Government is willing or not, 50 per cent of this wheat must be carried by American bottoms. So far as the remaining cargo is concerned, the Government can arrive at an understanding and can promote what is known as tramp fleet. This is necessary because the Government do not run services of regular schedule at regular ports. If the Government were to promote this system in co-operation with the Indian ships, then a very huge quantity of Government cargo can be carried by Indian ships and even if we do not reach the 50—50 level, we will have made sufficient progress.

**Shri R. P. Sinha:** Mr. Chairman, I want some clarification on paragraph 89 of the memorandum in which they have dealt with statutory board. They do not like some of the powers that are being vested in the Government—the regulatory powers. May I draw your attention that Government have got even more regulatory powers in respect of other industries? They have got powers to regulate production, price and very many other things. Why do they object to such regulatory Powers being given to the Government in respect of shipping Industry alone?

**Shri M. A. Master:** Unfortunately shipping industry stands in a different capacity. Supposing I am running a service in the India-U.K. line, taking the port of Hamburg, I have to collect the cargo long before my ship will be due there. Suppose I receive instruction from the Government that I should not go to Hamburg, but should go to Glasgow, the entire schedule will be upset and instead of making profits, I will be incurring losses. In other industries, say textiles, if Government say that they will not weave dhotis but only sarees, it may not have much effect. But that is not the

case with the shipping industry. The Government may give instructions that instead of running my particular ship in the India-U.K. line, I should run it on the West African line or the Pacific line. That is altogether a different matter. But the powers which are sought to be conferred under sections 393 and 397 are quite different. The power to regulate the movement of an Indian ship in the overseas trade is absolutely unusual, so far as maritime countries are concerned. I want my friend to realise that if I am running a ship on the India-U.K. line and the Government ask me not to run that ship on that line, various other flags would fill the gap and it will be impossible to dislodge them. There is no law on earth for preventing any flag from participating in the international trade.

**Shri Raj Bahadur:** Has there been any one such instance?

**Shri R. P. Sinha:** Will the Government be so foolish to issue such instructions? Have they ever done like that before?

**Shri M. A. Master:** I have not been connected with any shipping industry for the last ten years; otherwise I would have given some instances. But the point to be borne in mind is that the Government has been invested with certain powers and they can utilise those powers at any time.

**Shri R. P. Sinha:** They are invested with vaster powers in the banking industry.

**Shri Raj Bahadur:** Do these powers not exist already under the Control of Shipping Act which was first put before the House by no less a person than Bhabha himself?

**Shri M. A. Master:** I am very glad that question is put to me. I would remind my friend that in 1947 the very first sentence of the Bill said that it was for a limited period. It was a continuation of the war regula-

tions. You cannot put in peace time on the statute-book the powers that you take to meet emergencies.

**Shri Raj Bahadur:** Have we not been able to secure coastal trade exclusively reserved for the Indian shipping under those powers?

**Shri M. A. Master:** I am afraid not, because I can say without fear of contradiction that 2 million tons of oil and refined products were being carried by foreign ships along the coasts. Today there is only one tanker in the private sector and one in the public sector which carry this cargo, but it is also carried by foreign flags. Moreover, under section 392 or 393, Government have taken upon themselves the power to reserve certain portion of the coastal trade for other ships.

**Shri R. P. Sinha:** I put a straight question now. If we invest all these powers provided in this Bill to be exercised by a commission of which the Director-General may be the Chairman, will be better than investing all the powers in one person, namely, the Director-General? We also provide for a statutory advisory board on which sectional interests may be represented and Members of Parliament may also be represented?

**Shri M. A. Master:** So far as the wide powers given under section 397 are concerned, we do not think that these powers should be given to the Government at all. As regards the other question of the statutory board, if such a board is there, whether it is of the Tariff Commission type or any other type which the Government may decide upon, we have no personal quarrel with the D.G.; we have high regard and respect for him and if the Government want to make him Chairman of the statutory board, we have no objection.

**Shri Nath Pal:** I want to continue the question put by Mr. R. P. Sinha. May we have your idea as to what should be the composition of the Board, its powers and functions, whether you visualise the participation of

the representatives of seamen and sailors too?

**Shri M. A. Master:** I am afraid there seems to be some confusion of thought. We referred to the statutory board which has to deal with questions of principle and policy.

**Shri R. P. Sinha:** Also execution.

**Shri Nath Pal:** We would like to hear from the witnesses their conception of the composition, functions and powers of this board. As a supplementary to it, I ask you whether you visualise the eventual participation of seamen and sailors' representatives?

**Shri M. A. Master:** What we have stated in our memorandum is that where it is a question of principle and policy, it should solely be dealt with by the statutory board that is indicated in the memorandum. As regards the other matters of administration and execution such as seamen's employment offices, seamen's welfare, etc., we have not the slightest objection to the powers being vested in the head i.e. the Director-General of Shipping.

**Shri Osman Ali Khan:** In answer to the question put by Mr. Tangamani, you had mentioned that we require about Rs 15 crores of foreign exchange to reach the target of 9 lakh tons by the end of the second plan. I think only 25 per cent is required as the initial payment for the purchase of a ship, and out of this, part of the money in rupee value can be deposited with the bank and equivalent can be paid after 1961 from the earnings of the ship. So, we can reach the target of 9 lakh tons and avoid foreign participation at least by the end of the second plan.

**Shri M. A. Master:** I quite appreciate the way you look at it. My friend has already stated that the shipowners have already purchased 9 ships on that basis and they have been negotiating for further purchase. If we can have further ships on the deferred payment system, certainly that

is a good suggestion which we should try.

**Shri Osman Ali Khan:** We have two divergent views about the purchase of ships. Experienced as you are, you will be able to tell us whether it is opportune time to buy second-hand ships now or whether we should wait for some time and buy new ships.

**Shri M. A. Master:** The broad proposition is we should continue to buy ships when the price is very low. But we have to guard ourselves against one thing. Because the market has gone down, we should not buy ships which will go out of functioning within a very short period. We should not buy ships of 1940 in 1958. The life of a ship is very short. It will be advantageous for us to buy a ship, than to build one, if it will give us a service of 25 years. We will have to take into consideration all these factors in buying additional tonnage.

**Shri Raghunath Singh:** There are very rich people of Indian origin outside India and they want to participate in our shipping on 49:51 basis. Have you any objection to that?

**Shri M. A. Master:** Are you referring to the people who wanted to come back to India from Africa?

**Shri Raghunath Singh:** I am referring to Indians who are at present living in Malaya, Singapur, Kenya, South Africa etc. They are of Indian origin residing outside India. They want to invest money on Indian shipping on 49:51 basis. Do you have any objection to that? Because, you have always raised the point that during the time of war the ships will be taken away by the foreigner and so on.

**Shri C. H. Bhabha:** In our view, so long as the Indians participate in this venture, we have no objection whatsoever even if they have 100 per cent. But, as long as they are non-nationals and not Indians in the true sense of the form, that is to say, as long as

they have not acquired Indian nationality—we have got an Indian Nationality law—as long as they have not that permanent root in the soil of this country, definitely they should be treated as non-Indians. We do not subscribe to the doctrine that they should be allowed to come into this shipping industry.

**Shri Raghunath Singh:** You will treat them as foreigners?

**Shri C. H. Bhabha:** Government have got their own rules in the matter. For instance, in the public services they are not recognized as Indians.

**Shri Raghunath Singh:** Your emphasis throughout the argument has been that during the time of emergency or war, if the foreigners are there, and if they are partners of the shipping company, the ship will be taken away by them. They will obey their order and not of our government. But if they are of Indian origin outside India, they will not do the same thing.

**Shri C. H. Bhabha:** Here it is a question of loyalty. If you owe loyalty to a particular soil, you are not an Indian to my mind.

**Shri Raj Bahadur:** I want to have clarification in one or two matters. Could Mr. Bhabha let me know whether the investments that he referred to were made in the New Zealand bonds by the BIC, the Mugal line, prior to 1947 or after 1947.

**Shri C. H. Bhabha:** They were subsequent accretions.

**Shri Raj Bahadur:** In violation of our currency law?

**Shri C. H. Bhabha:** Whatever is earned in investments, you can invest in any form. There is no violation of currency law involved in it.

**Shri Raj Bahadur:** It is a matter to be investigated.



**Shri C. H. Bhabha:** If you see their successive balance sheets, it is increasing.

**Shri Raj Bahadur:** May be, I do not know.

**Shri C. H. Bhabha:** It is so. You can see their balance sheets.

**Shri Raj Bahadur:** It will be referred to the Finance Ministry. You have referred to the danger that in case of a foreign combine the ships will be manned by foreigners. Now, every ship has got to be manned by persons who have got our certificate of competence, based upon the result of our examinations and standards. Even the foreign certificates will have to be endorsed and accepted by us. Without that, nobody can be expected to make any Indian ship. Despite all the safeguards in clauses 68 to 73, do you still think that there is the possibility of foreigners coming and manning the ships owned by the so-called hybrid combine?

**Shri C. H. Bhabha:** What are the powers vested in the Government to refuse recognition of foreign degrees?

**Shri Raj Bahadur:** It is there.

**Shri C. H. Bhabha:** On what grounds can you refuse a competency certificate?

**Shri Raj Bahadur:** So long as we have got the power to issue certificates of competency, I do not think there will be any difficulty. Anyhow, I would like to have some clarification.

**Shri Rajendra Pratap Sinha:** All the shipping laws of this country should clearly specify that the national ships can only be manned by our own nationals.

**Shri Raj Bahadur:** In regard to the powers on overseas shipping I would only refer to the observations made by Mr. Bhabha on the symposium, which is at page 65. Despite all these powers that we have got, can we not exercise

the required control over the ships owned by the mixed combine?

**Shri C. H. Bhabha:** I do not think so. It is a matter of opinion.

**Shri M. A. Master:** Supposing there is a ship of an Indo-foreign combine. That ship is in the port of London. An emergent situation arises and we are not in the same camp as Great Britain. The captain of that ship in London will not obey the instructions of the Government of India. There are a number of such instances.

**Shri Raj Bahadur:** With the sole exception of political considerations that may obtain between the nationals of one particular country, which is in the foreign combine, and ourselves, does he visualize any other possibility or any other basis on which any antagonism will be created between ourselves and the foreign country despite all the powers that we have got?

**Shri M. A. Master:** In our previous observations we have pointed out how they will affect our commercial working of shipping.

**Shri Raj Bahadur:** We have been accused of having committed a complete reversal of the policy. I do not take any umbrage, but I want to understand the position. What is the present definition in regard to the registration of a new ship. Does not the British Act entitle any citizen of the Commonwealth to register a ship as an Indian ship?

**Shri M. A. Master:** I am glad that question has been raised. The position is this. Mugal line is registered in this country as an Indian company. They are on the Indian register. But they cannot enjoy the privileges of the Indian shipping, which the other ships of the India Steam or Scindia enjoy. The moment the present Bill becomes an Act, it will become an Indian ship registered on the Indian register, and it will enjoy all the privileges, which other ships enjoy. They will be able to participate in the coastal trade. It will enable them to obtain loans and other privileges.

**Shri Raj Bahadur:** I would just put to you being the author of the report of the Policy Sub-Committee is it not a fact that clause (a) in that particular context deals with registration and clauses (b), (c) and (d) deal with the rest of the factors or elements which must be satisfied by a particular shipping company to be known as an Indian registered company for the purpose of assistance. Registration is a completely different stage.

**Shri M. A. Master:** So far as the shipping policy resolution is concerned, though the Mugal lines is registered in India, because there is no 75 per cent capital and control, direction and management in the hands of the Indians, we say that the Mugal lines cannot participate in the coastal shipping. But, under the present Bill, as soon as a ship is registered as an Indian ship, it will be entitled to all the privileges. With your permission, I will read section 59, which reads:

“Where it is declared by this Act that an Indian ship shall not be recognised as such, that ship shall not be entitled to any privileges, benefits, advantages or protection usually enjoyed by Indian ships or to use the Indian national colours for Indian ships or to assume the Indian national character.....”

**Shri Raj Bahadur:** That is in a different context. The question about assistance or other facilities depends on the policy that might be adopted from time to time. That might be subject to changes, compelled or impelled by the circumstances or situation obtaining in the country at that time, financial or commercial. I want to know whether registration is completely an aspect which is covered by the Bill and the policy in the promotional matter is not within the ambit of the Bill.

**Shri M. A. Master:** We have been advised that as soon as sections 12, 13 and 59 form part of the Merchant

Shipping Act—We have been advised by the Counsel—that ship will be entitled to all the privileges, whatever the shipping policy may be.

**Shri Raj Bahadur:** What is the difference between the present definition for the purpose of registration in the British Act and the new clause 12? Is not the present one an improvement insofar as it excludes Commonwealth citizens from the right of getting their ships registered unless they register them here in India?

**Shri M. A. Master:** So far as the present position goes, in order that a ship may be called an Indian ship, it must be owned by an Indian company. At least 75 per cent of the capital must be in the hands of the Indians. Another thing is that the entire control, direction and management must be in the Indian hands.

**Shri Nagendra Singh:** As far as the law is concerned, today under the law it is possible for any foreigner to register a ship as an Indian ship. As you say, the Mugal lines, which is hundred per cent owned by foreign capital, has been able to call itself an Indian ship, according to the law as it stands today. But, by the other provisions of the Act, we have been able to drive them out of the coast and they are not entitled to come in there. The policy aspect of 75 per cent and 25 per cent is not part of the law. It is a purely Government undertaking that the Indian Government shall patronise our ships by way of loans and cargo. This 75 per cent and 25 per cent is a purely administrative decision. It is not in the law of the land. The law of the land is that any Indian company can register a ship as an Indian ship.

**Shri M. A. Master:** I fully appreciate what Dr. Nagendra Singh has said just now. But the broad fact to be remembered is that when the Bill becomes an Act, we have to read the Bill as a whole. We have to read sections 12, 13, 59 and several other sections. The cumulative effect of that is while

today ships registered by the Mugal lines or any other foreign company will not be entitled to all the benefits e.g. preference in the carriage of Government cargo etc. by the mere fact that this Bill becomes an Act, we have been advised by counsels of great eminence—I am not speaking only from my own authority—those ships will be entitled to all those benefits.

**Shri Raj Bahadur:** I will just relate a parallel in America. They have got a law under which, of course, no individual foreigner can own a ship, but companies owning ships if they have 51 per cent national ownership can go in for overseas trade and with 75 per cent national ownership can go in for coastal trade. They have got that discrimination against foreign participants. It is always permissible and is always effected through policy decisions which are taken from time to time.

I am grateful to you for having referred to the resolution of 1947 in your memorandum. Do you think it is impossible for us to establish some sort of distinction? Could we not discriminate in favour of ships with regard to coastal trade. Do you think it will be rendered impossible?

**Shri M. A. Master:** At the time the letter referred to in the memorandum was written the Bill was not before Parliament and the public. That is one point.

The second point is, it is suggested by the letter that even if a company were to register with 100 per cent capital and control, it would be competent for the Government of India to discriminate against it. There are two points which I would like to submit for your consideration.

The policy of the present Government of India is that whenever a foreign company is registered as an Indian company it will be treated on complete par with another Indian company. Take for instance, the Lever Brothers soap and the Tatas

soap. There is no discrimination whatsoever.

Apart from that, if the Bill becomes an Act, the clauses I have pointed out will have the cumulative effect of giving that ship the enjoyment of the full benefits of an Indian ship. We do not want that.

**Shri Raj Bahadur:** What you want is that these apprehensions must be fully removed.

**Shri M. A. Master:** Yes.

**Shri Raj Bahadur:** You have said that 'ship' as defined in the policy resolution with 100 per cent control and management as the ultimate object would be the ideal one. Do you think that despite the fact that so far as shipping is concerned there is no reasonable prospect of any world assistance just as World Bank loan—for whatever we get as aid from foreign countries has got to be distributed equitably to all national ventures—that a stage has arrived when we can achieve that ideal and ultimate object of 100 per cent ownership so that the 25 per cent which has already been conceded could also be removed?

**Shri M. A. Master:** What we have said in our memorandum is that we shall fall in line with the present policy of the Government, namely, that there shall be at least 75 national ownership. As to the ideal of 100 per cent I would not be so pessimistic, after the speeches of the Prime Minister which I have been reading and which have encouraged us, about help from foreign lands coming, either in the form of loans or commercial credits. Therefore, today we are not asking you to change that 75 per cent and raise it to 100 per cent. We are quite prepared, as we have pointed out in our memorandum, to accept the decision as laid down in the present Shipping policy resolution.

**Shri Akbar Ali Khan:** You have come here both as independent witnesses. May I ask you whether the

fact that we will not allow foreign combines will not amount to stopping healthy competition and mean indirectly strengthening the monopoly of other concerns?

**Shri M. A. Master:** So far as coastal trade is concerned, it is entirely regulated by the Government of India. So far as overseas trade is concerned, there is much more competition than our friends imagine. It is not necessary that there should be an Indo-foreign combine running from India. There are a number of companies running from all countries which compete with us; and, consequently, there is so much competition in the overseas trade that the interests of all are safeguarded. It is not necessary to form a foreign combine for that purpose.

**Shri Akbar Ali Khan:** We had not formed any Indian company....

**Shri M. A. Master:** I have never said that there should be. I think I have not made myself clear. This is a question of vital importance to my friend and the rest. Mr. Bhabha and I have envisaged in our memorandum more companies. We welcome more companies because it will be beneficial to the building up of our Merchant Navy.

**Chairman:** On behalf of the members of the committee and on behalf of myself I thank the two gentlemen who have come to give their evidence before this Committee. We have practically thrashed many of the important points after discussion with them and we feel that we have been much enlightened in the matter. I thank them again.

**Shri M. A. Master:** We are very grateful to the committee for giving us this patent hearing and for the encouraging words. Thank you very much.

*(The witnesses then withdrew)*

## II. National Union of Seamen of India, Calcutta

*Spokesmen:*

1. Shri R. Banerjee
2. Shri K. V. Rao
3. Shri Bikas Majumder

*(Witnesses were called in and they took their seats)*

**Chairman:** Members are very much interested to know many things from you but as you cannot wait till tomorrow we have decided to call you now. In fact we would like you to elaborate anything you want in addition to what you have got in your memorandum. The time factor is there; we propose to sit till 2 p.m.

**Shri Majumder:** I will speak on behalf of my friends also. We have got no new points, but we only want to elaborate and emphasise certain items which we have mentioned in our memorandum. We have suggested that after clause 92, a new clause should be inserted to enable a seaman to ask for discharge before the termination of the articles. We feel from the human point of view it is necessary, because ships are very different from workshops at the shore. If a workman on the shore is upset psychologically, either due to ill-treatment by his superior officers or from his colleagues, he can go home from the workshop, meet his family and thus reduce the tension in his mind. But a seaman can do no such thing; he has to carry on and on with the people with whom he could not pull on perhaps. From that human point of view, we feel that there should be such a provision by which if the reasons are satisfactory and justified, a seaman should be allowed to ask for discharge from the articles of agreement. In India since we are just developing our shipping, we do not have enough Indian seafarers; a large number come from foreign countries and we can always expect desertions at foreign ports.

There are so many reasons for desertions at foreign ports which I know from experience. When a man feels miserable on a ship, he may be maltreated by the officers or he may run the risk of personal injury from other members of the crew and with that psychological agony, he comes to a foreign port. There are any number of allurements and he just feels like jumping off the ship. The predominant factor in such cases has always been psychological agony and feeling of miserableness. For these two major reasons, we feel that a provision of this nature should be added.

As far back as 1923, some of the major maritime countries like the Scandinavian countries — Norway, Sweden and Denmark—have provided in their articles of agreement that seamen have a right to discharge themselves after signing the articles of agreement for a specific period. Even if it is for six months, he has a right to apply for discharge earlier.

**Chairman:** Whether the application is granted is a different matter.

**Shri Raj Bahadur:** He should have the right to apply for discharge under certain circumstances. That is what he wants.

**Shri Majumder:** That would perhaps help in stopping desertions to a certain extent, if not entirely.

**Chairman:** So, there should be a new clause under which the seamen could apply for discharge before the expiry of the term of the agreement. What should be the circumstances under which this application should be entertainable?

**Shri Majumder:** In the Scandinavian countries, they have laid down maltreatment from the officers and from other members of the crew. If the seaman rightly or wrongly feels he runs the risk of personal injury, he should have the right to apply to the

proper authorities for a discharge setting out the reasons. A member enquired of me whether such cases of cruelty from officers really happen. If members are interested, I can give specific cases.

**Chairman:** We shall look into this question of having a new clause for this purpose.

**Shri Tangamani:** On the question of discharge, I want to know whether the workers are given compensation.

**Shri Majumder:** When I ask for discharge myself, I do not claim any compensation.

**Shri Tangamani:** Can we have a stipulation that if a person just wants to leave service, three months notice will be sufficient? In the body of the agreement itself, there can be a stipulation that after giving three months' notice, I can retire.

**Shri Raj Bahadur:** Three months will be too big a period.

**Chairman:** He is speaking of a different contingency.

**Shri Majumder:** In regard to clause 111, it empowers the master of the vessel to give his opinion on the service certificate of the seafarers. There is no provision to determine whether the master's opinion had been rightly given or not. We suggest that someone else, as the Government may decide, should be given authority to look into the question if a seaman or a seamen's union raises the issue that a particular bad entry has not been deserved by the seafarers.

**Shri Nagendra Singh:** Under the existing rules, the disciplinary committee goes into such questions. But it is not provided in the Act.

**Shri Majumder:** I sit on the disciplinary committee myself and I know. They can only recommend. They have no right to change the endorsement made by the master even if the committee feel that it is not justified.

**Shri Nagendra Singh:** But the effect is reduced to zero. The master is really in charge of the vessel and to tamper with what he has written would be going contrary to international practice. He writes what he likes. The disciplinary committee finds the endorsement of the master to be wrong and makes a recommendation. That recommendation is endorsed by the D.G. Shipping and the result is that it is reduced to nullity. The seaman gets back the employment for all practical purposes. Except psychologically, it has no other effect.

**Shri Majumder:** Only the other day in Bombay there was great trouble just because a full crew belonging to a ship was given bad endorsement by the master. There was continued trouble for 45 days. The trouble had to be there because the seamen knew that they had no quarters from where to seek redress.

**Shri Nagendra Singh:** An appeal lies to the D.G. always.

**Shri Raj Bahadur:** He can rectify it.

**Shri Majumder:** He cannot rectify the endorsement. If the master says that a particular seaman is bad, that "bad" stands. Even if the D.G. or the disciplinary committee feel that that endorsement was uncalled for, it cannot be removed. So, we suggest that if a question is raised that a particular endorsement was not written rightly, and if the D.G. feels that that endorsement was not justified, he should have the right to change it.

**Shri Raj Bahadur:** What about clause 117?

**Shri Majumder:** It is more or less the same thing. But it is put in a different way. Now if both the parties give something in writing, then the shipping master can look into the matter. But it will never happen.

**Shri Raj Bahadur:** We are ourselves proposing an amendment.

**Shri Majumder:** We want the shipping master to have authority to look into the question.

**Chairman:** That suggestion will be considered.

**Shri Majumder:** Then we have suggested the deletion of clause 134. In another clause we have suggested that the provision for imprisonment for offences like wilful disobedience, absence without leave etc. should be done away with.

**Shri Raj Bahadur:** What is the basis for imposing double penalty?

**Shri Majumder:** There is no basis. It is not done anywhere else.

**Shri Raj Bahadur:** We shall consider that.

**Shri Majumder:** Then I come to compensation for seamen for premature discharge. If a seaman is discharged before he starts the voyage but after he has signed it he gets one month's pay as compensation. But, if his services are terminated after he has joined the service but before his term has come to an end he gets three months' pay as compensation. We have suggested that three months' pay should be paid in both cases.

**Shri Raj Bahadur:** Here your case is not so strong. In one case the voyage has not yet commenced. Therefore, the only harm that has been done is that he has been signed on a particular occasion but he has not embarked on the voyage. So, it has necessarily to be less.

**Shri Majumder:** What really happens is this. A man is selected and engaged today. He signs the articles. After a fortnight from the date of selection he is told that his services are no longer required. In between he might have lost five chances of being selected. But he gets only one month's pay.

**Shri Raj Bahadur:** That is why he is given compensation at all. Otherwise, he would not be given any compensation.

**Chairman:** So your point is that it should be increased?

**Shri Majumder:** In other industries, perhaps it will not make any difference. But here it is not so.

**Shri Raj Bahadur:** If you are discharged before the commencement of the voyage you are restored to the original position in the waiting list.

**Shri Majumder:** But there may not be any ship for the next two months. Sometimes it so happens that a man gets it within 15 days. In some cases they may not get it for six months.

**Shri K. V. Rao:** There was one case where the crew were sent up to Colombo. They had to come back from Colombo. After that, within one and a half months, another batch of crew were selected from Bombay. But they were paid only 16 days' wages. Now, they had to wait for a further two months to get another opportunity. They had incurred certain expenses before going to Colombo.

**Shri Raj Bahadur:** In that case, you are entitled to three months' pay under the new clause.

**Shri Majumder:** The difficulty was that he had not commenced his voyage. He was sent to Colombo to commence his voyage.

**Shri Raj Bahadur:** Therefore, it is a question of interpretation of the term "voyage"—whether it should be from the date of joining the ship or the date of leaving home. We will take care under the rules to prevent such things. Regarding clauses 141, 142 and 143, we will take note of them.

**Shri Majumder:** It is more or less given in the Industrial Disputes Act—the idea of having a tribunal.

**Shri Raj Bahadur:** We can assure you that we will not come in in any particular dispute unless negotiations have failed even at the maritime board level.

**Shri Majumder:** We are not really apprehensive of the Government coming into the picture, like the shipowners. But since we are having a tribunal, let us also have the conciliation proceedings which will precede the tribunal.

**Shri Tangamani:** Would you like to have the entire Industrial Disputes Act?

**Shri Raj Bahadur:** There are three agencies which precede compulsory adjudication viz. the shipping master, the conciliation officer and the maritime board. It is only when all the three agencies have failed to settle it that the

Government comes to consider the question of compulsory adjudication. So, the consultation machinery already exists.

**Shri Majumder:** Yes, but not in the legal way. Under the Industrial Disputes Act, if he cannot come to a settlement, he recommends to the Government for a tribunal. We say that the shipping master, when he acts as the conciliation officer, should have the right to recommend to the Government that a tribunal should be constituted for this purpose since he has failed to bring about a settlement.

**Shri Raj Bahadur:** Your suggestion is that the provisions of this law should be on par with the Industrial Disputes Act as far as possible. We will consider that.

**Shri R. P. Sinha:** How do you like the suggestion that powers should be vested in the Government to modify the award or reject it? Do you approve of such a provision?

**Shri Tangamani:** We cannot modify today.

**Shri Majumder:** Government has done it in the case of the bank award. Then there were protests from all quarters. It is a general question applicable to all industrial labour. There we do not differ from the general opinion that labour has expressed.

**Shri R. P. Sinha:** Do you approve of it or not?

**Shri Majumder:** To be candid, Government having this power of rejecting the award, somehow or other, violates

the sanctity of the tribunal constituted by the Government.

**Shri Raj Bahadur:** Regarding clauses 151 and 153 we shall consider your memorandum, and take decisions.

**Shri Majumder:** I will emphasize one more clause which is very important, and that is clause 160. A seaman may come out with a grievance that there is something wrong somewhere. It may be that his grievance is not justified. Let that complaint be enquired into. But if it is not found to be true, he should not be victimised. Why should he be victimised because he makes a complaint? It is the basic right of an individual.

**Shri Raj Bahadur:** Even when the complaint is not proved?

**Shri Majumder:** Why should you victimise a man for launching a complaint?

**Shri R. P. Sinha:** If the complaint is proved to be *bona fide*, no action should be taken. But in case it is proved *mala fide* what will happen?

**Shri Majumder:** That is what is provided in the clause. Now who is to decide whether it is justified or not. If it is some other responsible Government officer, we can agree to that, because we can convince him, but not the ship-owner. But, at the moment, it lies in the hands of the ship-owner or the captain of the ship. We object to that.

**Shri R. P. Sinha:** But the shipping master can be given all that power?

**Shri Majumder:** By all means.

(The witnesses then withdrew)

(The Committee then adjourned.)



THE JOINT COMMITTEE ON THE MERCHANT SHIPPING BILL, 1958.

Minutes of Evidence taken before the Joint Committee on the Merchant Shipping Bill, 1958.

Thursday, the 10th July, 1958 at 10.05 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

*Lok Sabha*

Shri Liladhar Kotaki	Shri Mool Chand Jain
Shri S. Osman Ali Khan	Shri N. M. Wadiwa
Shri Harish Chandra Mathur	Shri Shivram Rango Rane
Shri Anirudha Sinha	Shri Raj Bahadur
Shri Ram Dhani Das	Shri Hirendra Nath Mukerjee
Shri Ghanshyamlal Oza	Shri Rajendra Singh
Shri Nardeo Snatak	Shri Nath Pai
Shri Tekur Subrahmanyam	Shri S. A. Matin
Shri K. P. Kuttikrishnan Nair	Shri Aurobindo Ghosal
Shri K. Periaswami Gounder	Shri Badakumar Pratap Ganga Deb Bamra
Shri Dinesh Pratap Singh	Shri S. K. Patil

*Rajya Sabha*

Shri Akbar Ali Khan	Shri Vijay Singh
Shrimati Savitry Devi Nigam	Shri R. S. Doogar
Shri J. S. Bisht	Shri Abdur Rezzak Khan
Shri Jethalal Harikrishna Joshi	Shri V. K. Dhage
Dr. Raghubir Sinh	Shri R. P. Sinha
	Dr. P. J. Thomas

DRAFTSMAN

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

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri Nagendra Singh, *Joint Secretary, Ministry of Transport and Communications.*

Shri P. R. Subramanian, *Deputy Director General of Shipping.*

Shri S. K. Ghosh, *Deputy Secretary, Ministry of Transport and Communications.*

SECRETARIAT

Shri A. L. Rai—*Under Secretary.*

## WITNESSES EXAMINED

## I. Indian Overseas Shipping Company Ltd., Bombay.

**Spokesman:**

Shri S. N. Haji

## II. The Indian Council of Foreign Trade, Bombay.

**Spokesmen:**

Shri K. G. Khosla

Shri M. M. Kaul

Shri Hansraj Gupta

III. (i) All-India Seamen's  
Federation, Calcutta.(ii) United Seamen's Union,  
Calcutta.(iii) Seafarers' Union of  
India, Calcutta.

} Jointly

**Spokesmen:**

Shri M. A. Sayeed

Shri L. N. Reddy

Shri Dilip Roy

Shri Ajit Sarkar

Shri A. Saleque

I. INDIAN OVERSEAS SHIPPING COMPANY  
LTD., BOMBAYblem of foreign capital in our com-  
pany and other companies.**Spokesman:**

Shri S. N. Haji.

*(Witness was called in and he took  
his seat)*

**Shri Haji:** As intimated previously, I have appeared before the Joint Committee. But as regards the other directors, unfortunately the Nawab of Palanpur is indisposed and Shri Vaidya has gone back to Bombay. It was arranged that the Yuvraj of Porbander would come, but he could not come.

**Chairman:** I have gone through your memorandum and find that your organisation practically supports the All India Manufacturers' Organisation for which you appeared the other day before us. So if you have any new points, please let us know them first.

**Shri Haji:** If you will permit me, I will just read out a statement in connection with the important pro-

"The Indian Overseas Shipping Co. Ltd. requested the Government for exemption in the case of the Swiss capital upto 33 per cent only as that small concession from the fixed 25 per cent limit would have enabled the company to purchase 2 ships on the instalment system, but the Secretary of the Ministry of Transport stated in his letter dated 28th May 1958:

"It is true that the Resolution itself permits the Government of India to consider the request for relaxation of any of the above conditions on merits in individual cases. You will, however, appreciate that as this question of foreign participation in Indian ships is likely to come up for discussion at the Joint Committee which has been set up by Parliament to examine the Merchant Shipping Bill, it would not be correct on the part of Government at this time to entertain

any request for any relaxation of the various criteria mentioned above”.

**Shri Harish Chandra Mathur:** Has this statement been circulated?

**Shri Haji:** No.

“Under the circumstances, the Company had to rest content with 25 per cent foreign capital even though a higher percentage of foreign capital could have been made under ordinary circumstances. Nevertheless, however, our company's capital requirements are now fully met”.

Then, Sir, in this book as also outside, doubts have been expressed whether foreign capital will be available for Indian shipping in any sizeable quantity. I will just give you a few examples.

“The Managing Director of Messrs. Gill Amin and Co., a member of the Steamship Owners' Association, has been trying to get more foreign capital on 51:49 basis for adding to their small fleet. It may be noted that this company is one of the small ones which are members of the Association. Similarly, Messrs. Bhogilal Mulji Bhai & Co. of Bombay, one of the small shipowners, who are not members of the Association, believe in adding to Indian tonnage with foreign capital on 51:49 basis, and they have said that they were going to submit their views to the Committee. I do not know whether they have submitted any views; I am telling you what I have heard.

Moreover, the Indian merchants of various commodities, namely cashew nuts, cloves and so on, who are not satisfied with the existing shipping services will be able to come forward to help float new shipping companies with foreign capital participation as it would solve their main problem of adequate equity capital and foreign exchange.

This opinion prevalent among the mercantile class in Bombay interested

in export and import is also shared by academic circles and a Professor of Transport has told me that he was in favour of 51:49 formula for foreign participation in shipping as in other industries.

A large company has been contacted by shipping brokers with a view to provide foreign capital. I am telling you what possibilities there are. A reputed firm Messrs. Vartak & Company have offered co-operation of British capital and British shipping companies and recently informed our company that their parties are willing to participate with an Indian Shipping company on the basis of 51:49, but the company had to tell them that we cannot consider the suggestion because our quota of 25 per cent is already booked up.

Messrs Marine and General Consultants Ltd. of Bombay have got American parties which are willing to participate with Indian Shipping companies in the matter of equity capital.

Moreover, since my arrival in New Delhi, I have come to know about responsible American interests contacting an Indian party for starting a shipping Company, the American party being willing to put in equity capital up to 49 per cent, if permitted by Government in addition to providing the required loan to enable the company to purchase necessary tonnage.

Now, we go to Calcutta. The Eastern Shipping Agency of Calcutta have been conducting negotiations with a Belgian Shipping Company which have proposed to come into partnership with four ships as being their part of the capital.

The responsible office bearers of the Port Haj Committee in Bombay have informed me in the course of private discussions—which I have requested them permission to divulge here—that Arab capital

would be available in plenty to provide modern comfortable ships to carry Haj pilgrims to Jeddah.

Messrs Allwyn & Co., a reputed Hyderabad firm has been negotiating with Arab parties for capital participation in shipping.

Moreover, there are Indian Merchants in East Africa some of whom would be technically called "foreigners" and such "foreign" capital would be a good source of foreign exchange for shipping. We would therefore, request the Committee to make such recommendations that the Government would be enabled to regard this type of "foreign" capital as Indian capital, so that outside capital might add further help to our exchange requirements.

Now that there is so much interest in foreign countries for investment in Indian shipping, one hopes that necessary measures will be taken to give Indian shipping the benefits of the foreign exchange that would thus be provided. The best way to do this would seem to be to permit foreign participation on the basis of the 51:49 formula.

That is to set at rest, as far as we can, the doubts that have been expressed in the articles and in the books as to the availability of foreign capital for Indian shipping. Next, I will go to another subject which was not discussed before and that is the possibility of a monopoly arising in the shipping industry in India. We will take the various companies as they are from the point of view of their tonnage. The Scindia Company, as we call it the Scindia Group, has merged into it four companies: Ratnagar, Bengal Burma Co., Indian Co-operative and Bombay Steam; that is 4 plus 1. In addition, they have got as an 100 per cent. subsidiary Bombay Steam (1953) and Kamal Shipping, so that what is known as the Scindia Group may be said to consist of really seven shipping companies. Moreover the total capital paid up along

will debentures of the 3 companies of the Scindia group comes to Rs. 16 crores. The other three have Rs. 5 crores. The whole lot of the rest put together, about 8 of them, have barely Rs. 65 or 60 lakhs of capital. This gives an idea of how small these companies are. Naturally they want to develop if they can with foreign participation.

In this connection, the question arises as to whether it is a good thing for India to have one or two big companies that will appear as members of the Conferences or whether there should be a large number of companies in various conferences, the point is of utmost importance because in Conferences the vote is for the company. To give an example, in the India-U.K. Conference, there are only two Indian members. Irrespective of tonnage, the smallest company with only two ships will have equal vote with the P & O. That would give an idea of the need, not of strengthening and fattening of one or two companies, but of having a large number of shipping companies as members of the Conferences. Whether it is the U.K. Conference or Continental or American or Australian, that is immaterial. What I would like to stress is that the vote is for the company and not for the capital nor for the tonnage. For example, I may say that though Belgium is not much interested, their one vote is equal to the one vote of the P. & O.

I would like to draw attention to the statement which I have appended to Table II. Table II on the last page of our statement gives an idea of what has been done in shipping and what we hope will be done in the future with Indo-foreign capital participation. We will find there that in 1945-46, we added roughly almost 100,000 tons. In 1946-47, we came down to 60,000 tons. In 1947-48, it was 83,000 tons. Then, in 1948-49, we went down very badly and we came down to 32,000 tons. The reason is this. We have to re-

member that there was no Planning Commission or Government aid or anything. The shipping companies were on their own feet. About 90,000 or 1 lakh tons were added in 1945-46 and in 1946-47 another 60,000 tons, as a result of the resources of the companies which were built up during the war being spent to acquire new tonnage. One or two new companies came up. About the time the Planning Commission started its activities, we had gone down to 7,000 tons in 1949-50 and 19,000 tons in 1950-51. Then, again, there is a deficit in 1951-52. Even though by then the Government had announced that loans to the tune of 85 per cent, spread over 15 to 20 years, would be available, what do we find? In 1951-52, there was a minus; in 1952-53 an addition of 38,000 tons. So that, private capital available was relatively so small that in spite of this very good financial assistance that was being provided, not much progress was done, until we come to the beginning of the Second Five Year Plan when by bits and bits in the earlier years, we had reached the figure of 521,000 tons. In 1957-58, we reached 586,000 tons. After two years of end of the First Plan, we are reaching our First Plan target.

It has been stated in this book "Indian Ship" that we shall be able to reach the target and it is stated that if the Government will give us foreign exchange, we will be able to get over the difficulty. The point is, as is well known, there is no foreign exchange for shipping. I can quite conceive that arrangements may be made with banks on the basis of rupee capital here and foreign exchange through London or Swiss banks or others. But, even though we scrape together everything including what has been announced this morning, Rs. 10 crores over the remaining three years as against what we are all hoping for, almost Rs. 35 crores during the remaining years,—even that small figure will no doubt be of assistance—the point I want to stress is that with great difficulty, we hope to reach the target of the

Second Plan. What will happen when we come to the Third Plan?

I will quote the hon. Minister for Shipping. In September, 1957, he said:

"Owing to the acute foreign exchange scarcity facing the country which is not a short term feature, it will not be possible for us to attain our tonnage target for the Second Plan period. This may have repercussions on the Third Plan—which means the continuance of heavy drain on our foreign exchange resources caused by the annual freight bill. It was in this context that I welcomed the acquisition of tonnage even with foreign participation, but with our dominating interest, and hence only up to 49 per cent."

The position as it stands is this. As I have been urging, and other people also, to my mind, if we are going to achieve our target of 20 lakh tons within a reasonable period—I may add that the Committee that laid down this target hoped that we will reach it in seven years—in 1954 we were supposed to reach it—if we want to achieve that target of 20 lakh tons by the end of the Third Plan period even, which will mean almost 20 years after the enunciation of the policy, we have to build up a fleet every year of 160,000 GRT of shipping. As I have said in the statement,—I am not going to repeat it—frankly, there is not that money that is required, certainly not foreign exchange. I would like to say a word about this target.

**Shri Harish Chandra Mathur:** Mr. Chairman, I want to raise a point. I am not very clear whether the same witness can appear twice over even though he represents a different Association. Then he can represent a third interest and come a third time and have the advantage of refuting the evidence which is led by somebody else. Is it in order? I do not think it is permissible unless there is anything new.

**Chairman:** We have permitted the Association and he appears on behalf of the Association to make out their points.

I do not think that is technically wrong.

**Shri Dhage:** Shri Harish Chandra Mathur's point is, if the two Associations for which he speaks contradict each other in their views, would we allow the same witness to represent different views?

**Chairman:** It would be very anomalous to permit the same witness to come twice over and represent two different views.

**Shri Harish Chandra Mathur:** I think the two organisations have submitted almost parallel memoranda. Apart from this, Shri Haji's main contention during his first appearance was to encourage foreign participation. His main theme all the time is that foreign participation should be permitted. I think today he is continuing and reinforcing the same point which he had made out in the first hearing.

**Shri Akbar Ali Khan:** To the extent that the witness is repeating, he is irrelevant. But, I do not think there is anything wrong.

**Shri Oza:** This point cannot be raised now after inviting the witness to come. I think it is not fair to raise this point now. Let us hear him. If we think we want the other parties to come back again, we can invite them, but after having invited—two days ago we came to know they were appearing again—I do not think it is fair to object to the deposition at this stage.

**Shri Harish Chandra Mathur:** A point can be raised at any moment. There is no restriction on raising a point at any time.

**Shri Oza:** It is embarrassing.

**Shri Harish Chandra Mathur:** It may be, but if it occurs to me now, I will raise it.

**Chairman:** Anyhow, the point has been raised, and my decision is, being deputed on behalf of another company, he is perfectly entitled to appear. As regards the repetition of the views that he has already expressed, I have already told him that if he had any new point to make, he may make. He has read out a statement by which he shows that certain foreign interests are willing to come in on this 49:51 basis. Let us hear him. I would only remind him not to repeat the views he has already expressed.

**Shri Haji:** I will certainly try to put new material before you, something which has not been brought forward either by our association, or other people.

There has been a good deal of talk about the Reconstruction Policy Subcommittee on Shipping. It has been quoted often to say that the 75—25 basis was the best in the interests of India, but I do not think anybody has drawn your attention to the dissenting report by Sir Abdul Halim Ghuznavi, the founder and the first Chairman of the India Steamship Co., Ltd., of Calcutta.

**Chairman:** Is that old history relevant today?

**Shri Haji:** Yes. He says:

“Nor is there really any substance in any apparently nationalistic view prescribing 100 per cent ownership and management in Indian hands. Taking a realistic view, arrangements will have to be made and in the past have been made by even 100 per cent owned Indian shipping companies with foreign companies. These are called tripartite agreements or conference line agreements. If nationalism can be diluted to the extent of coming to an arrangement for sharing the trade with

foreign companies, I do not see any very great violation of principle in puritanic nationalism if a company were to permit a very minor portion of its capital to be owned by foreigners and give them a minor share in the management."

**Chairman:** I asked you to state any new point. It does not mean you can bring the whole world before us. It must be confined to the memorandum mostly and by way of elucidation of the points that have been made in the memorandum. We are really concerned with shipping, and I shall ask you a few questions. What is the tonnage that the Victory Navigation Co., has got at present?

**Shri Haji:** I am appearing this morning on behalf of the Indian Overseas Shipping Co., Ltd., which has nothing to do with any other company.

**Chairman:** What is the tonnage that company possesses?

**Shri Haji:** Our company possesses no tonnage at the moment for the very good reason that the prices are coming down. As I told you, ships available at Rs. 125 lakhs eight or ten months ago are now available at less than a core of rupees. My own feeling, shared by so many people in England and elsewhere, is that the prices are going to tumble down further.

**Chairman:** So, yours is a prospective company?

**Shri Haji:** It is certainly a company which has been allowed to commence business, which has got the money. I have already requested the Reserve Bank to allow participation of the Swiss people.

**Chairman:** You have stated that ships can be had nowadays at 25 per cent. down or even 20 per cent down. Are they new ships or old ships?

**Shri Haji:** They are ships four to ten years old.

**Chairman:** They are old ships.

**Shri Haji:** They are fairly new ships.

**Chairman:** They are not new ships, that is the point.

**Shri M. C. Jain:** What is their speed?

**Shri Haji:** Fifteen knots.

**Chairman:** We cannot say that a company shall not have ships older than, say, five years. It will depend on the company itself that goes in for the purchase. If you buy the ship on an instalment basis, according to your own statement, for the next five to seven years its foreign exchange will be utilised for paying the debt. That will not ensure to the Indian coffers. Am I correct?

**Shri Haji:** If you have a ship of 15 to 18 years old with a speed of ten knots, no shipper is going to give his cargo to you, and that is why the service that was running to America had to be closed down, because they were being run by Liberty ships. The Liberty ships whose cost was Rs. 70 lakhs about 18 months ago has now come down to Rs. 14 lakhs. So, there should be no confusion. I am talking of 15 knots, 10,000 tons.

**Chairman:** A subsidiary of a foreign holding company may be started here and they may put in here the ships that are at present lying idle with them, to be used for the rest of their lifetime. According to your own statement, for the coming seven years the Government of India do not get any benefit of foreign exchange. So, how is the Government of India benefited by it?

**Shri Haji:** The subsidiary company is an Indian company. Therefore, all the foreign exchange it earns is the Government of India's foreign exchange. The Government of India,

through the authority of the Controller of Capital issues, examines these problems so thoroughly that normally no hanky-panky can happen.

**Chairman:** Some people may have doubt about the thoroughness of the examination, because, after all, it will depend on so many things.

**Shri Haji:** I would request the Government of India to see to it that too many old ships are not bought.

**Chairman:** We shall see whether it can be put down in the Bill or not.

**Shri Harish Chandra Mathur:** Once you bring the old ships here and the entire business is taken by them, nobody would feel encouraged to start companies and buy new ships, and it will thus definitely retard our progress.

**Shri Haji:** A subsidiary company established in India, like the other foreign concerns operating in India, will have, under the company law, to follow the directives if the Government of India chooses to give them. And that is my reply to the fear expressed by the hon. Member.

**Chairman:** The directive that can be issued by Government can be only in regard to broad policies and not on particular matters.

**Shri Akbar Ali Khan:** Incidentally, it will retard the progress of Indian shipping. That is why this question has been asked.

**Shri Haji:** Suppose there are two or three small companies even with Liberty ships. In the Conference....

**Shri Harish Chandra Mathur:** I am not saying that there are two or three small companies. My question arises out of the Chairman's apprehension; his apprehension is that the idle tonnage which is lying at present in London comes over here and is registered as Indian ships. Suppose 10 lakhs of tons get registered in that

manner. What is the bar to that? Will that not retard the progress on Indian shipping?

**Shri Haji:** Whenever we talk about mixed venture or mixed participation, it is always understood, particularly when we have all these clauses in the Government of India's Bill etc. that the company has an Indian complexion. As you rightly said, on matters of broad policy, the directive will be there. But on matters of ordinary affairs, such surcharge and other business things, there may not be any directive. In addition to the two Indian votes in a particular conference, that we have got today, we shall have five Indian votes, and we shall prevent that Conference taking any such step.

I think it is clear to Members that the whole of this machinery of overseas trade in the liner business is conducted through the conference, and the more the Indian interests in the conference, the better it will be for us. I do not see how.

**Chairman:** You have referred to the fact that these companies coming to India will not be left free to do as they like, because they will be combines. I believe it will be 51 per cent. Indian interest.

**Shri Haji:** It is not only that; the shipping company coming on the Indian register, and coming under Part II of the Bill....

**Chairman:** The Merchant Shipping Act, the Companies Act is there; we know all that. Broadly, you have referred to those things, such as the majority that Indian interests will have on the directorate etc.

Are you talking today of the 20 lakhs tons to be achieved by 1966? According to your calculations, if we purchase old ships, it may not require Rs. 100 crores of foreign exchange, but only 25 per cent. of it, that is, Rs. 25 crores. The equivalent of Rs. 25 crores is required on the part



of Indian capital. And you have stated the figure of Rs. 3 crores a year. Now, this Rs. 100 crores may be the authorised capital, and the paid-up capital may be just Rs. 25 crores. Is Indian capital prepared to spend Rs. 25 crores out of its own resources? What is your impression?

**Shri Haji:** I have already calculated it and given it in my statement. On the basis that we have followed, I may make it clear, India need not raise more than about Rs. 6 crores a year.

**Chairman:** For the 9 lakh tons?

**Shri Haji:** I am talking of the 2 million tons. This 9 lakh tons may be regarded as completed or not completed; that does not worry me. I am thinking of the 20 lakh tons and 25 lakh tons

**Chairman:** There, Indian capital to the extent of Rs. 6½ crores will be sufficient?

**Shri Haji:** Per year.

**Chairman:** Whereas, so far as foreign capital is concerned, it will be at least Rs. 25 crores?

**Shri Haji:** No; foreign capital will be less than half of that.

**Chairman:** So, the foreign capital required will be Rs. 3½ crores.

**Shri Haji:** May I read out a few lines from page 6 of my statement:

"Now, these 24 steamers might cost approximately Rs. 24 crores, but today in the buyers' market in the shipping world, it is possible to purchase the ships with 25 per cent. of its price by way of initial payment and the rest by instalments, that is, by foreign exchange earned by operating steamers. On this basis, only Rs. 6 crores will be required per year, out of which Rs. 2.94 crores will have to be foreign capital; it

will be in foreign exchange, and the balance of Rs. 3.06 crores will be Indian capital to maintain the proportion of 51 : 49 enunciated."

With due respect, I submit that when there is a venture like this, with Government help, and Government cargo and the rest of it, Rs. 3 crores a year will be easily available.

**Chairman:** Rs. 3 crores to be subscribed by private capital?

**Shri Haji:** Yes.

**Chairman:** You feel that it would be easily available?

**Shri Haji:** If the committee will see the annual capital that we are putting into the various industries, they will find that what I am saying is more than justified.

**Chairman:** So, in the Third Five Year Plan, there will be no difficulty, though Government apprehend difficulty, because every year Rs. 3 crores will be available, up to 1966.

**Shri Haji:** As I have pointed out, Government's apprehension is about foreign exchange. What the Minister of Shipping has stated has reference to foreign exchange, and what he said in 1957 is unfortunately more than doubly true today. Shipping is not in the core of the Plan, and there is no foreign exchange, and the position is much worse than before, as all of us know very well.

**Shri Raj Bahadur:** Let us hope for the better.

**Shri Haji:** Definitely.

**Chairman:** So, up to 1966, every year, Rs. 3 crores are available from private resources for the purpose of shipping. According to your statement, by depositing money here in some foreign subsidiary bank we may get equivalent exchange; and as you have said, we may not buy 20 ships, but we may be able to purchase some ships.

**Shri Haji:** That is another method.

**Chairman:** Rs. 3 crores will be available here from private resources; if we deposit that amount here, we can get about three ships every year.

**Shri Haji:** This is an arrangement where we give money in rupees here, and the banks give us foreign exchange there. On that basis, so far as our calculation shows, we cannot make a very big headway.

**Chairman:** You have stated that we could have some ships, but not 20 ships.

**Shri Haji:** We can have a limited number of ships.

**Shri Bisht:** We are only indulging in academic discussion. There are no concrete proposals.

**Chairman:** I am responsible for it. I am asking him his opinion. He says that there will be no difficulty so far as foreign exchange is concerned, and there will be no difficulty so far as private capital is concerned. And it will have to be granted that so far as Indian capital is concerned, it will only be subscribed, but not paid-up; it need not be paid up; it may only be subscribed.

**Shri Haji:** No. If I may repeat what I said last time, by combining the foreign capital system with the loan system, it will enable us to add to our tonnage.

**Chairman:** Is it loan from Government?

**Shri Haji:** Not loan from Government. There are two ways of meeting this foreign exchange position. One is foreign equity capital. The other is to pay a certain amount of rupees here, against which you can get a certain amount of foreign exchange equivalent. My submission is that with foreign capital operations, we shall be able to keep on making progress up to 20 lakhs target. But although we may be paying money

here in rupees and getting foreign exchange there, yet the banks will not keep on advancing moneys on this basis all the time.

We carried on negotiations with a Japanese firm, and they say that they are not agreeable to this kind of proposition. Some British banks are agreeable, but even they were not agreeable to this number of 60 or 80 and so on.

**Chairman:** You have now given us a list saying that these are the countries which are interested. But the other day, you did not give this list. You only mentioned the 51.49 per cent., but you did not mention whether they were willing to come in on a predominantly Indian control and management basis.

The other day, some Member asked you whether you had ascertained, and you retorted that it was only your guess that such and such countries were willing to come, because it was the Government to whom they applied, and they did not apply to you. But, today, you have come out with a list saying that these are the countries and interests which are willing to come. May I know from where you got this information within a period of twenty-four hours?

**Shri Haji:** When I said hearsay, I had in my possession the very same information that I have today. Only, taking advantage of the interregnum, I have got it confirmed by parties, and if you want, I am prepared to let you have all the evidence.

**Chairman:** I do not challenge it. My simple question is this. The day before yesterday, you said that they did not apply to you, and it was your information gathered from other persons. But today you are giving this information that such and such countries are interested. May I know wherefrom you have got this definite information within a period of twenty-four hours?

**Shri Haji:** I am very glad that in this statement that I have made today, I have given two or three cases of what was in my opinion hearsay the other day.

**Chairman:** This is there on record.

**“Mr. Chairman:** You are an expert in the line. You must give some definite information on which we can come to some decision. Otherwise, there is no value in asking this question.

**Shri Haji:** It is the Government that is approached by people. When I say that Arabia is interested, naturally, I have heard people say that Arabia is interested. Arabia does not apply to him.”

May I know from where you have got this definite information today?

**Shri V. K. Dhage:** He has sent a telegram to the firm.

**Shri Haji:** Take the British case, where the man said that they were prepared to come. He talked to me about three weeks ago. But things change. So, the day before yesterday, I sent him a telegram, because I could see from the tone of the Members that they wanted definite information, asking whether that offer was still open. The reply was that it was still open. I have not brought the telegrams with me, but I can send you, if necessary, the original of the telegrams.

**Chairman:** Please send them.

**Shri Raj Bahadur:** Please send the telegram that you sent and also the telegram that you had received.

**Shri V. K. Dhage:** The answer is that the offer is still open. But the telegram does not say what the offer is.

**Shri Haji:** May I submit that just as Members have certain freedom, so also, the witness should have certain freedom?

**Chairman:** You will have all the protection that I can give you.

**Shri Haji:** All that I want to say is that I want you definitely to understand that this is not something concocted in the course of today.

Talking about hearsay, I talked about the Allwyns in Hyderabad; he came and talked to me. I have prepared reports for him, for Arabia. So, I know what I am talking about.

**Chairman:** Would you answer this point? The other day you said that you were stating what you heard other people say.

**Shri Haji:** Quite so. If an amendment is allowed, the word 'hearsay' there means what I am telling you today.

**Shri Harish Chandra Mathur:** I take the validity of the offer for granted and I am proceeding on that basis. Will foreign capital be available if promotional facilities are denied to them and confined only to companies with cent. per cent. Indian capital and Indian management?

**Shri Haji:** Will you kindly explain the promotional facilities?

**Shri Harish Chandra Mathur:** Certain promotional facilities are given by the Government of India such as loans etc.

**Shri Haji:** I am not aware of any such facilities.

**Shri Harish Chandra Mathur:** That is cheap interest etc.

**Shri Haji:** You mean the Rs. 10 crores.

**Shri Harish Chandra Mathur:** No. There are various promotional facilities that are being given. There are others which the shipping industry is asking for. If these facilities are confined only to those ships which are entirely Indian owned and Indian managed, will foreign capital be still forthcoming?

**Shri Haji:** I do not quite follow what you mean by promotional facilities.

**Shri Raj Bahadur:** Government give loans at concessional rates of interest; there is reservation of cargo for Indian shipping; and there are other matters such as the provision of foreign exchange etc. for buying new equipment.

**Shri Haji:** The whole of my approach is based on this. Once a ship becomes an Indian ship, whether it is 25 per cent. Indian capital or 75 per cent. Indian capital, it becomes vested with Indian nationality; and it won't be correct to differentiate between them in treatment.

**Shri V. K. Dhage:** It is open to Government to offer certain facilities to certain companies and not to offer the same to certain other companies. Supposing Government takes that view.....

**Shri Harish Chandra Mathur:** My question arises out of some observations made yesterday by some of the witnesses, and what was said by the hon. Minister himself. The Secretary was explaining about the availability of promotional facilities etc. They clearly wanted to tell us that these two are two different things. My question is based on that. I want to know, if these promotional facilities are not available to them and if they are confined only to those companies which are cent. per cent. Indian in capital and management, will foreign capital be forthcoming.

**Shri Haji:** I have now understood your idea of promotional facilities. If in shipping we are going to do that, personally, I am confident that foreign capital will not be forthcoming in the manner I have suggested. I have taken it for granted.

**Shri Harish Chandra Mathur:** According to your conception and as you visualise the future under this Bill, these companies to be newly formed with foreign participation will also share the coastal trade.

**Shri Haji:** They should definitely; otherwise, the whole edifice collapses. That is my opinion.

**Shri Harish Chandra Mathur:** So the coastal trade, which is just at present operated only by those Indian owned companies with complete Indian capital and management, would be shared by these new companies with foreign participation also.

**Shri Haji:** It will depend upon the size of the ship and all that. I think I must make it clear.....

**Shri Raj Bahadur:** You have already said in answer to a previous question that there should be no differentiation.

**Shri Harish Chandra Mathur:** At present the Moghul Lines are the only company who have got some foreign capital; but they have no promotional facilities.

**Shri Haji:** The Moghul Line is an Indian company in a certain sense and it is not an Indian company from another angle. If I may elaborate, this position has developed because the Government of India had been regulating the whole show on the basis of the resolution of 1947. But once you pass an Act like this it will supersede that resolution. I want to make it clear that the passing of the Act would mean that the resolution is scrapped because the two things are inconsistent and the Act prevails.

**Shri Harish Chandra Mathur:** You said that at international conferences it would be more advantageous to have more companies and that it is not necessary that it should be confined to 4 or 5 big companies.

**Shri Haji:** One or two.

**Shri Harish Chandra Mathur:** Even at present we have 30 companies; don't you think they are enough?

**Shri Haji:** I want you to remember that out of these 30 companies we

have got only 4 companies in the conference of overseas lines.

**Shri Harish Chandra Mathur:** Why not have all the 30? Why do you want more new companies?

**Shri Haji:** My reply to that is that these 30 companies are particularly small ones. They can develop only if you have companies with foreign capital.

**Shri Harish Chandra Mathur:** There is no question of development. I do not see any force in what you say until and unless you can further elucidate it. There are already 26 companies who can become members and give us the voting rights.

**Shri Haji:** If you will allow me to go back to our statement....

**Chairman:** I would request you to kindly give us additional copies of your statement for circulation to Members. That is the custom here and when I permitted you to read it I forgot to mention it.

**Shri Haji:** I will certainly do it.

Out of these companies, there is the South East Asia Company with 2,800 tons; there is the Chandbali Co., with 2,500 tons, P. C. Ray with 2,200 tons, Ambica, 1,500 tons, Ambassador with 800 tons and so on. How do you expect that these people, as they are, can join any conference? For the overseas, a ship has got to be at least 7,000 tons, so that these very small people cannot grow unless they are assisted by the Indian capital and by foreign capital.

**Shri Harish Chandra Mathur:** Do I understand that with foreign participation foreign capital will always come from foreign shipping companies?

**Shri Haji:** I do not agree.

**Shri Harish Chandra Mathur:** Do you think that people who are not in the shipping trade will come forward for participation in India?

**Shri Haji:** Not only do I think so but there is an example. Our own company has got foreign capital to the tune of 25 per cent.

**Shri V. K. Dhage:** We have been told by some of the witnesses yesterday that given the necessary facilities they would be able to arrange the foreign exchange themselves and also raise the required capital in India itself. What is your reaction to that?

**Shri Haji:** The only way that foreign exchange could be managed either without foreign capital or without government help is what I have mentioned, namely, putting a certain amount of money in an Indian bank and against that you take so many dollars or sterling. My submission is that it cannot be a process which can be of great help. It will probably be of help when the payment is say Rs. 20 crores for a short period of years—say 3. If you want to go by leaps and bounds—12 lakhs tons and so on—no bank will give you the facility required. That was what I was telling about the Japanese wanting to do something. They said they cannot accept the proposal. No bank wants to put all its assets in one shipping basket in India.

**Shri V. K. Dhage:** Do you say that Indian capital cannot be had?

**Shri Haji:** It could be had to the small extent I have envisaged in my statement. If your office will look at the total amount of capital issued per year, they will see it runs into a fairly large number of crores and 3 crores on the whole for this purpose is not and cannot be a different proposition.

**Shri Tangamani:** You have been advocating the cause of foreign participation with many instances also. Under the Second Plan, the target fixed is 900,000 tons. Do you think that without foreign participation, we will not be able to fulfil that target?

**Shri Haji:** You are talking of the Second Plan. As you are well aware, from the side of the private sector a

big delegation was sent by the Federation to America, Germany, France and other places to get equity capital. On the same basis, the Government have been sending their representatives to get either loan or equity capital. As a matter of fact, without foreign capital, I do not think you are going even to get a big part of the Plan fulfilled.

**Chairman:** I understand that the delegation that you referred to did not go for shipping only, but for other business also.

**Shri Haji:** Yes, for the Second Plan in general.

**Shri S. K. Patil:** The question was whether the target of 900,000 tons for shipping did or did not require foreign participation.

**Shri Haji:** I am sorry I misunderstood it. If that is the question, whether the 900,000 tons requires foreign capital, to the extent that the Government will not be able to provide the foreign exchange and the companies on a self-management basis might not succeed....

**Chairman:** That is not the answer to the point.

**Shri Harish Chandra Mathur:** How can he answer that? It depends on the resources of other people.

**Shri H. N. Mukerjee:** You refer at page 8 of your memorandum to the Shipping Policy Resolution of 1947 and you quote certain words to the effect that "the Government of India accept the Committee's view that the development of Indian Mercantile Marine will be facilitated if an understanding of the subject could be reached with His Majesty's Government and British shipping interests". Then you proceed to characterise this as an example of 'the dependent mentality' of the Government of the day. This Resolution was dated 12th July 1947, that is to say, before independence and much before the declaration of the Republic. In the year of grace 1958, you are suggesting

to us that there are certain foreign interests not only in His Majesty's Dominions and particularly Britain but also in America, Switzerland—and God knows what other countries—which are magnanimous enough to agree to come to our country not on the basis of 25:75, but on the basis of 49:51. Do you call this an example of independent mentality or you do think that it is an extension and amplification of the dependent mentality? I ask this because you say in the Shipping Line Conferences, Government can control decisions, because on questions of national importance, Government can bring the recalcitrant shipping companies to book. But you have already said before this Committee that in real, crucial moments of national crisis, in peace or war, our country's Government being very weak, as far as naval power is concerned, it will hardly be in a position to bring the recalcitrant companies to book. It is only in regard to day to day commercial working that these Liners' Conferences are playing a part which has militated against the independent functioning and development of our navy. Therefore, I suggest to you that what you are asking this Committee to adopt by way of changing that provision of the Bill is really an example of dependent mentality.

**Shri Haji:** What I stated with regard to the Resolution has reference to the fact that both the Committee and the Government of the day were looking at it from what I might call the colonial angle. We did not have the power then, which we will get under this Bill, of having an Indian Register, on which I lay very great emphasis. An Indian Register will enable the Government of India to give its certificate of identity and of nationality to Indian ships. Just as the passport is the procedure by which the citizen is made to feel that he is a citizen of the country, similarly in the case of shipping, an Indian Register serves that purpose. Now, because we could not control the ship in the old days under British domination, we had to think of controlling the company, but

once we control the ship under the Register, which we are now establishing, to my mind the 75:25 ratio has no more meaning in shipping than in any other industry. It is only a matter which concerns the shareholders—75 per cent. required for Special Resolution and so on.

**Shri H. N. Mukerjee:** It is evident that the foreign agents with whom perhaps you are in some communication think that the 25:75 ratio is not good enough for them, and 49:51 might be good enough. According to the calculation of the foreign moneyed interests, a larger share in the participation in the companies to be formed in this country is thus necessary. That is to say, any increase in the quantum of foreign participation is a danger to the independence of our country. Are you satisfied that a larger quantum of their share is not dangerous to our economy?

**Shri Haji:** Not having negotiated on the basis of 25:75, I cannot tell you why the foreigner has or has not come. But this much is a fact: A very great deterrent is the fact that even though the man puts 25 per cent., he cannot even have one director. The second condition of the Resolution says that all the directors should be Indians. That is the real trouble.

**Chairman:** This point has been discussed before.

**Shri Akbar Ali Khan:** So far as your representation today is concerned, is it your only grievance that because the stipulated amount of foreign participation was not allowed, it could not be proceeded with and on your side you were ready with all the other things?

**Shri Haji:** I explained that in my statement this morning. For 25 per cent., we do not want any permission. But we wrote last month to the Reserve Bank of India giving the names of the participants and so on. We have already sent a letter to the Controller of Capital Issues. It is only

when we hear from these people that we can go ahead. Moreover, even if I get the foreign capital today, if I feel that the prices of ships are still going down, I would hold myself for a month or two

**Shri Akbar Ali Khan:** Have you got subscribed capital in cash already in the bank for the company?

**Shri Haji:** We have already more than promises and we have people at our back and as soon as foreign exchange is available—because we can do nothing without foreign exchange—the Indian money will also be available.

In shipping, Indian money, without foreign exchange, has no meaning today.

**Shri Akbar Ali Khan:** We want cent. per cent. national shipping, unless we are convinced otherwise. I want to know whether with government financing as well as financing by our private people, we cannot reach the target of 2 million tons by the end of 1965.

**Shri Haji:** Situated as we are, I do not think there is any prospect of reaching anywhere near 2 million tons by 1966.

**Shri Akbar Ali Khan:** Suppose we are prepared to go to the extent of 40 or 45 or 49 per cent.—more than 25 per cent.—but we lay down that the management will be cent. per cent. Indian except in respect of experts required for know-how, and in the directorate we may give a certain share to the foreign investor, do you think it will be feasible?

**Shri Haji:** We have been stating that we should try to get as much foreign capital under our control as possible by the 51:49 formula, but so far as directors are concerned, we need not say that the directors should also be in the same proportion. So far as management is concerned, even in what are known as 100 per cent. Indian companies, there is no objection to having foreigners as managers. You

may say the managing agents should be Indians. But management is different. Suppose I want a superintending engineer and I am unable to find a qualified Indian, why should I not get a foreigner for that job?

**Shrimati Savitri Devi Nigam:** If we accept your proposal about foreign participation, how much foreign exchange of the amount we are spending now, at the rate of Rs. 150 crores per year, will be saved by these companies after paying foreign exchange in instalments?

**Shri Haji:** The company which has got foreign participation will earn foreign exchange according to the number of ships and so on. What the foreigner will take away would be only the dividend at the end of the year. It is normally 6 per cent. If you pay more than 6 per cent., tax is paid to Government. The proportion of 25 or 49 per cent. applies only to the capital, not to the foreign exchange earned. Therefore, the fear that large sums of money in foreign exchange will go away from the country is, in my opinion, utterly groundless.

**Shri Mool Chand Jain:** Is it a fact that in no other maritime country officers and other ranks are taken from outside their country?

**Shri Haji:** There may be some countries where there is this kind of restriction. So far as we are concerned, we have first of all to produce captains that would take charge of our ships. I say, in no country in the world that I am aware of has development of shipping depended upon ability to get trained personnel. In advanced countries, no doubt, they can put a condition like that. Here, when we are just developing Dufferin to a proper size—that may not be enough—when our Engineering colleges are inadequate—one is two or three years old and the other in Bombay is a little older—we have not got enough personnel. There is really no need to bring in this issue.

**Shri S. K. Patil:** There is one point. Are these offers made to the small companies on the assumption that along with the capital, there would be participation in directorship, management or anything. Or, conversely I would ask, would that capital be coming if it is said that management and control will be vested only in Indian hands including also directorship.

**Shri Haji:** I could not follow.

**Shri S. K. Patil:** I am asking about these offers which you just mentioned. These days hundreds of offers are being made and nobody knows how many of them will materialise. These particular offers which you mentioned,—three or four—are they on the assumption that along with the capital, they would get some share in management?

**Shri Haji:** Certainly some place among the directors, though not in the same proportion.

**Chairman:** You please give us the record that you have got: the reference that you have made and the letter confirming or the telegram.

**Shri Haji:** Certainly.

**Dr. Raghubir Singh:** Are these offers based on the assumption that the terms as they are given now in the Bill will be accepted? Is it likely that in case there is the slightest change in the terms as now provided in the Bill, the offers may completely vanish? I would like to know the specific understanding on which these offers are made.

**Shri Haji:** I am glad that this question has come up though I may repeat myself which is inevitable under the circumstances. I can say that most of the foreign interest in our shipping is the result of a statement made in the Lok Sabha by the hon. Minister of Shipping that the Government will consider the question of 51:49. So that I do not think the foreigners have



even got a copy of our Bill; nor have they understood what the Government has laid down.

**Chairman:** Why don't you please answer the question that has been directly put; whether these offers are on the basis of the Bill.

**Shri Haji:** No, Sir.

**Chairman:** As I have requested you already, please furnish us with copies of the correspondence on the basis of which foreign companies confirmed their consent.

**Shri Haji:** I can tell you—the copies will be there—most of it is on the basis of the capital clause. I do not think they could have considered the other clauses.

**Chairman:** It is on the capital basis; not on directorship, control, etc.

**Shri Haji:** That remains to be thrashed out.

**Chairman:** Thank you.

*(The witness then withdrew)*

## II. THE INDIAN COUNCIL OF FOREIGN TRADE, BOMBAY.

*Spokesmen:*

1. Shri K. G. Khosla
2. Shri Hansraj Gupta
3. Shri M. M. Kaul.

*(Witness were called in and they took their seats).*

**Chairman:** I have gone through your memo. The memoranda of the other Associations and the views that we have got from them, in a sense, have been more or less the same. The committee have exhaustively dealt with all the points that you have made. If you have got anything else to add to elaborate any point that you have made here, please do that in the beginning.

**Shri Khosla:** In the memo we have forward the salient features that

LS.—9.

we have to say. We certainly commend the Bill as it is coming up, that it is quite in the fitness of things. For the last 11 years we have been independent now, we had no independent register for shipping. We have been registering so far on the British Register. It is certainly very helpful attitude that we shall have an Indian Register for Indian shipping. The Indian Council of Foreign Trade is one with the Government in this. Therefore we feel that the right thing is being done.

What is important from our point of view as a trading and business community is that we are short of capital in this country; we are short of foreign exchange. If we permit foreign capital to come into the country by way of equity capital, which we say should be substantial, it should not, at the same time, be in a majority. We have put forward in our memo that Indians should control 51 per cent, that is, 33 parts or shares in a ship. There is clause 12 which says 51 per cent is all right. The ship can be owned by a company.

**Chairman:** We have said in the case of a company there is no limitation.

**Shri Khosla:** Our submission is that there should be a limitation of 49 per cent. We certainly want you to recommend foreign participation because we feel, at the moment, we can buy ships. Our Indian capacity being inadequate to manufacture, we can buy ships from outside on deferred payment, provided the Government helps the Indian companies to buy 5, 7 or 10 on deferred payment basis. If we have foreign capital participation, the first instalment of the deferred payment can be made from the foreign capital which is coming in. Later on, these ships will be saving foreign exchange in freight. We are spending Rs. 150 crores over freight. If our ships are saving some foreign exchange in foreign freight, certainly this saving in foreign exchange can be utilised to pay the deferred instalments. In a way, it will not be a strain on the country's foreign exchange position. What the ships earn

in foreign exchange will be paid. We also recommend that the company must be incorporated in the Union of India.

**Chairman:** You mean the Head office will be here.

**Shri Khosla:** Yes. We have already given our three principal recommendations on this point. Also we have taken up Home trade ship, and that it should extend from Massawa to Singapore. Because, our study shows that in England, the Home trade ship operates beyond the French coast also. If we operate over a long distance, it will be more economic. These smaller ships require much less maintenance and much less upkeep. They can be economic in their operation. We also suggest that tonnage of 3000 tons may be raised to 4000.

**Chairman:** In the Council, have you got any shipping company?

**Shri Khosla:** No. we are mostly concerned with foreign trade.

**Mr. Chairman:** You have stated that you recommend investment of foreign capital in the proportion of 51:49. You have not stated anything about control and management. That would be another main factor in foreign capital coming or not.

**Shri Khosla:** We have said that in the Board of directors, Indians should have a majority.

**Chairman:** Simple majority?

**Shri Akbar Ali Khan:** Will the management be entirely Indian: the manager, staff, etc.?

**Shri Khosla:** When we have a majority in the Board of directors, naturally, the managing agency will be Indian.

**Chairman:** Not necessarily. The managing agency may be quite different.

**Shri Khosla:** The managing agency should also have a predominantly Indian interest.

**Shri Akbar Ali Khan:** I wanted to be clear. Suppose there is a majority or predominant majority among the directors. I am asking not only of the managing director. It is in the interests of our country that they should all be Indians except when we cannot get any expert. Is that your view?

**Chairman:** And will that attract foreign capital?

**Shri Gupta:** If the managing agency is a partnership or a private limited company, we would prefer the majority of the shares to belong to Indians, but if there is only a managing director who is taken because he is an expert and people are not available in India, we do not have any particular objection to a foreign, provided of course his term of appointment is limited to five years and is not for 15 or 20 years. If the managing agency is a partnership, the majority of the shares must be held by Indians; if it is a private limited company, then 51 per cent of the shares must be held by Indians.

**Chairman:** If it is only one person?

**Shri Gupta:** That means he is more or less in the position of a managing director, in which case if his term is for only five years, there is no harm.

**Shri Akbar Ali Khan:** How long have you been working?

**Shri Khosla:** Four years.

**Shri Akbar Ali Khan:** You have not got any member from the shipping industry?

**Shri Khosla:** In Delhi we have no member. About Bombay I cannot tell you very definitely.

**Shri Akbar Ali Khan:** So, your memorandum is based only on general

considerations and not special knowledge?

**Shri Khosla:** We are a business and trading community very much engaged in foreign trade which has to be carried on in ships. As a national organisation and as nationals of India, we feel that we must enlarge our own shipping companies so that we carry more of our tonnage which is our right.

**Shri Akbar Ali Khan:** May I know what percentage of foreign trade is carried on by your business?

**Shri Khosla:** Our principal business has been importing of capital goods, heavy machinery. We have been importing quite extensively in the last so many years a lot of heavy machinery, and even now, our backlog with these old orders is quite heavy. We are all concerned with imports and exports carried on through ships.

**Shri Nath Pai:** We wanted to know the volume of your trade in terms of rupees and in terms of tonnage.

**Shri Khosla:** If you will give us time, we will send you a letter later on.

**Dr. Raghbir Singh:** They have said in their memorandum that the principal place of business of a company should be located in the Indian Union. How far will such a provision influence or affect the inflow of foreign capital to India, especially in relation to shipping?

**Shri Gupta:** I do not think there will be any difficulty in getting foreign capital on this basis. Probably the foreigners would be quite interested in having their companies located in India and having their companies registered in India with a bigger percentage in the capital, but we in the national interests think that it would be better if the foreigners are limited to 49 per cent participation and if the majority interest is in Indian hands.

**Chairman:** The association which the witnesses are representing has not

made an elaborate study, but it is their opinion that there should be 49:51 and on that basis foreign capital will be coming.

**Shri Radha Raman:** They are in favour of foreign participation to the extent of 49 per cent. The present provision of cent per cent foreign participation with necessary safeguards will naturally attract more foreign capital and will be helpful to us. If it is reduced to 49 per cent, I do not know how it will influence foreign capital to come in the same measure as it will do otherwise.

**Shri Gupta:** Actually in our executive committee there was a little difference of opinion on this matter. We agree that with 100 per cent. participation, more foreign capital would be coming in, but at the same time we have also to take into consideration the national feeling in the country at the present moment. After all, old history is not so easily forgotten, and a big section of the business community and others in the country feel that we should have a superior hand. It is as a compromise we say that it may be 49 per cent.

**Dr. Raghbir Singh:** A home trade ship has been defined to be one not exceeding 3,000 GRT which you want to be raised to 4,000. May I know, why?

**Shri Khosla:** Because the operating costs will be lower, the overheads will be less and the ship will be able to carry more load per trip. It is certainly advantageous to have a bigger ship than a small one.

**Dr. Raghbir Singh:** In that case, do you realise how many ships will be ruled out of business on this score?

**Shri Khosla:** It says a home trade ship means a ship not exceeding 3,000 gross tons. We say "not exceeding 4,000". We are not throwing out the ones which are smaller.

**Shri Dhage:** You have stated that Indians should have a majority in the share capital. You have also given

your views about managing agency. But do you not think that with 26 per cent share holding the company will be controlled by the foreigner? If you have knowledge of the working of joint stock companies, you will realise that any one holding 26 per cent of shares in the managing agency will be able to manipulate and control 100 per cent of the capital of the company.

**Shri Kholsa:** If we are considering the question of control, even a 100 per cent Indian managed company can be mismanaged and the Indian Companies Act provides safeguards against that.

**Chairman:** Then it will be mismanagement amongst Indians, not foreigners. That is the main point.

**Shri Khosla:** If the foreigner is able to control the company with 49 per cent or even 26 per cent, and if the other Indian directors representing 51 per cent are such a weak lot, we cannot help it. In that case, even with 10 per cent perhaps the foreigner will be able to buy us over.

**Shri Dhage:** So, you think there is a possibility of that kind of thing taking place?

**Shri Khosla:** We do not think.

**Shri V. K. Dhage:** You have advocated the 49 : 51 basis and you are in the foreign trade. Have you any proposition till now to say that there is somebody willing to join on this basis?

**Shri Kaul:** We have no definite knowledge of that, but in other businesses you find parties in foreign countries willing to join, and we take it that in shipping also they will be willing to come forward.

**Shri Khosla:** Under the present industrial policy, in industries 49 per cent participation by the foreigner is the normal thing.

**Chairman:** That is another thing. We have even allowed 100 per cent in some cases.

**Shrimati Savitri Nigam:** Do you think that these foreign participants will be harming the interests of our nation when they get interested in their own national economy?

**Shri Khosla:** At the moment we are carrying only five per cent of India's foreign trade in our ships. At the moment we are also short of capital and foreign exchange. The only way to get over the difficulty is to get foreign capital which will save us Indian capital and also give us the foreign exchange which is so essential at this time. If we put in 100 per cent ourselves, we shall not have the capacity to buy the ships, but if we have less foreign participation, then our ability to pay the initial instalment will be very low.

**Shrimati Savitri Nigam:** My question was merely about markets. You are interested in securing more markets for our goods, but a foreigner may be interested in securing markets for his own country and not for us.

**Shri Khosla:** Let us say a shipping company is registered in India. It is an Indian ship and the management is predominantly Indian. If we cannot influence the journey of that ship or the business of that ship, I think we have not managed the company properly.

**Chairman:** It is now 12.05 P.M. Let us try to finish taking evidence from the other associations also, if we can, today itself. Otherwise, we shall continue tomorrow.

These associations are not directly concerned with shipping. We have got enough evidence from others already.

I thank you, gentlemen, for the trouble that you have taken to come and give us your advice.

*(The witnesses then withdrew)*

1. All-India Seamen's Federation, Calcutta,
2. United Seamen's Union, Calcutta, and

3. Seafarers' Union of India, Calcutta.

(examined jointly)

Spokesmen:

- Shri M. A. Sayeed,  
 • Shri Dilip Roy,  
 Shri A. Saleque,  
 Shri L. N. Reddy, and  
 Shri Ajit Sarkar.

(Witnesses were called in and they took their seats)

**Shri V. K. Dhage:** Your memorandum is mostly with regard to the clause-by-clause consideration. You have not stated anything on the general principle. So, you may now state the general principle on which you want us to proceed.

**Chairman:** Let us leave it to them.

**Shri Saleque:** Mr. Chairman and the Members of the Committee, we, at the outset, thank you for the opportunity you have given us to place our suggestions and views before you on a Bill which is so vital to the lives of our seamen. Now, Sirs, before going into the suggestions put forward by us, we beg to point out that we have dealt with only those portions of the Bill, which concern the seamen directly.

Sirs, as we have indicated in our memorandum, we find the Bill rather disappointing so far as the interests of our seamen are concerned. It lacks the provisions which we consider essential for the protection of these interests. Questions of wages, hours of work and overtime allowances, leave, social security, nature of duty etc. have been left out of its purview. We presume that while the Bill was drafted, it was considered that these questions would be settled through collective agreements between the shipowners and the seafarers or, maybe, through the tribunals, for which there is a provision in the Bill.

Sirs, let us first examine whether these questions can be satisfactorily settled through the collective agreements. The idea of collective agreement is no doubt a very good one and should be encouraged in all possible ways. But it is one thing to appreciate the idea and another to realise it in practice. It is commonly admitted that the method of collective agreement has not worked very successfully in the Asian conditions because of the weak and undeveloped characters of the trade union organisations. We have to visualise the possibility of collective agreements for the seafarers of our country in this context and we know that this possibility is by no means a bright one. In his report submitted to the Asian Maritime Conference held in 1953 at Nuara Eliya, Ceylon, the Director-General, ILO, could not visualise this possibility. He mentioned that it was only in Japan the method of collective agreement was successfully applied. In the discussion held during the Seattle Convention, 1946, it came out that it would not be wise to rely on the methods of collective bargaining alone for the enforcement of the conventions on wages, hours of work, social security etc. So, the Convention envisaged governmental legislations also for this purpose particularly in respect of the Asian and African countries. It may be mentioned here that even in advanced countries like Scandinavia hours of work for seamen had to be fixed by governmental legislations.

Now, Sirs, considering the situation in India, in the context of which framing of satisfactory collective agreements to meet the urgent demands of seamen is envisaged, we can state with all conviction at our command that there is no such possibility in near future. Experiences of seamen are quite eloquent in this respect. A collective agreement was framed in 1944 and it did not deal with the vital questions of hours of work, social security, food, accommodation, manning

scale etc. and the way the question of wages was decided was patently unsatisfactory. Since that time, no proper body existed for collective bargaining. In 1955, the Government set up the tripartite Seamen's Welfare Board, but up till now the Board has literally produced nothing. In 1956, a bipartite organisation of the ship-owners and the seafarers came into existence, but so far it has only toyed with the demands of seamen.

Now, Sirs, let us consider whether the seamen's demands may be settled through the tribunals as provided in the Bill. It is the general experience of the workers of our country that tribunals are not set up in any trade unless and until the employees of that trade can create a crisis or at least produce a serious threat of it. Is it desirable, Sirs, that our seamen should create such a crisis in the vital shipping trade to obtain a tribunal? Otherwise, where is the assurance that they will get a tribunal for the settlement of their long pending grievances? Even if we assume that it would be possible for them to obtain a tribunal without creating any crisis, there is no guarantee that it would settle the major questions of principles in regard to their wages, hours of work, social security etc. It may be relevant to point out that in spite of the provisions of the Industrial Disputes Act, separate legislations on minimum wages, social security, hours of work etc. had to be made to settle the generally accepted principles underlying these legislations. Now, as the seamen are denied the benefits of the Indian labour legislation, we think it imperative that internationally accepted principles guiding the conditions of service of seamen as embodied in the Seattle Convention, 1946 should be realised in our country through an Act of Parliament, i.e. the Merchant Shipping Act.

Sirs, we need not describe here the hellish conditions under which our seamen are compelled to serve. We are submitting here some papers for the kind perusal of the Chairman and

Members of the Committee. They will just give a glimpse of those conditions. It will be all the the more clear to you, Sirs, our seamen have been waiting these long years hoping continually that the national Government would redress their grievances and it can brook no further delay. We, therefore, earnestly hope that you, Sirs, would consider our proposals 1 (a) to (e) in the light of what I have just stated and accept them to protect the essential interests of our seamen.

Among other suggestions, I want to stress particularly on the following:—

- (1) provisions for crew committees;
- (2) some more powers to the shipping master which would make his decisions in all disputes between a seaman and his employer or ship's officers binding on both the parties;
- (3) provision prohibiting ill-treatment of crews by the ship's authorities etc.

In our memorandum we have given our reasons for these suggestions and a perusal of the papers just submitted will, I hope, convince you all the more how justified these reasons are.

Sirs, for want of time, I cannot deal here with our other suggestions which we have given clause by clause, but they are not less important. We hope you will consider them favourably and with this prayer and with your kind permission I am concluding my statement. Thank you, Sirs.

**Shri Dilip Roy:** If you permit me, I would like to explain the working conditions of seamen.

**Chairman:** Yes.

**Shri Dilip Roy:** This is labour on the high seas and not labour on land. Even the natural laws are different and their lives are different. If you do not understand their living conditions, it would be rather difficult for

\*Expunged as ordered by the Chair.

you to know why we have suggested certain amendments to the Bill regarding wages and hours of work etc.

Our seamen do not work continuously. They remain unemployed for about 3 to 6 months after a voyage which continues for a period of 3 to 18 months. During this unemployment period they receive no benefit, nothing absolutely. They do not have any leave or anything of the kind when the ship is at shore to attend *pujas*, prayers or other things.

**Shri S. K. Patil:** Is it on Indian ships or foreign ships?

**Shri Dilip Roy:** Indian or foreign; they are all the same. Even for ships registered in U.K. and other places most of the seamen are recruited from Indian ports.

**Shri Tangamani:** When they are unemployed how can they get any benefit?

**Shri Dilip Roy:** They do not even have the benefit of holidays etc. I say other seamen enjoy leave and certain other benefits during this unemployment period.

Even the seamen selected by the employment offices do not get any benefit till they go on board the ship. He has to go to the Employment Board office for recruitment. If he is recruited he is asked to sign the contract. Sometimes he has to wait for 5 days, 10 days or even 15 days after selection to go on board. During this period he gets nothing. His wages do not start from the date on which he signs the agreement but only from the date on which he boards the ship.

After he signs an agreement, the seaman loses most of his freedoms. Before reaching any port he has to live in the ship, on the high seas without any other company; he has to work during rough storms etc. Sometimes he is made to work for 12 hours or even 14 hours. There is no regulation regarding the hours of

work and he gets a Sunday or a Saturday off at the discretion of the Master.

Seamen of other countries like Britain, Australia, and New Zealand have conventions and rules regarding leave, hours of work, overtime allowance etc.

I have heard that you are going to visit Calcutta and Bombay ports. When you visit these ports, I believe you will see with your own eyes their working conditions and how they live, not only in hostels but also in other places.

**Chairman:** Are there no regulations?

**Shri Raj Bahadur:** They are all governed by agreement.

**Shri Dilip Roy:** It all depends on the discretion of the Master. There is no agreement regarding hours of work. They are made to work for 12 hours and 14 hours.

Another point is about the nature of their duties. The duties are not fixed. Even a *Sarang* of a petty officer is called upon by the Chief Officer or Chief Engineer to make tea for him. Some Quartermasters even ask them to polish the shoes of officers. They are asked to work like that because there is no convention or rules regarding the nature of the work for the different categories of seamen.

I produce some papers which give a comparative picture of the lives of Indian and British seamen. I would also refer you to an answer to a question which the hon. Minister of Health Shri Karmarkar gave in Lok Sabha about the unbalanced nature of the diet. There is very little of protein and there is only starch.

Then there is the treatment on board the ships. In most of the ships which have no passengers or only 10 or 15 passengers there is no doctor

It is the Chief Officer who treats the seamen; he has no knowledge of medicines or even physiology. Or else, the Captain's Mate gives the medicine.

**Shri Akbar Ali Khan:** We can settle those things only for our own nationals in our ships. I quite accept that there may be very many legitimate greivances against the P. & O. line or others. It is a very different subject.

**Chairman:** This is practically a list of grievances. It has a history of its own. It is not possible for this committee to put down any provision in the Bill to remove all these grievances. If you want to make such a statement you can put a statement before the committee later on. For the present you may just tell us how you think the Bill should be amended here and there because of this or that. This Bill cannot redress all those grievances. We are ready to hear all that. But we have not the time.

**Shri Saleque:** We have made certain suggestions in our memorandum. To justify them, we have to describe the conditions of work of seamen to some extent at least.

**Chairman:** You may state them briefly.

**Shri Raj Bahadur:** It would be better from the point of view of the deliberations of the Committee if they are to enlighten us by stating what are the standards already laid down in the merchant shipping laws, how far those are incorporated here, how far they are falling short of requirements on the basis of the experience that they have got. This must be related not to vague terms but with specific provisions. Take, for example, the question of food, the quantity prescribed, that given etc. We know that though it has been prescribed, the standard is not some-

thing which is satisfactory. To that extent, the law has got to be amended. There are various factors which govern agreements between seamen and shipowners and those factors should be stated. Of course, the seamen are there for 24 hours. A large number of the seamen spend their time on board. They cannot be anywhere else when on the high seas. So all these factors may be stated in specific terms.

**Dr. Raghbir Singh:** It would also be of help if we could know what are the provisions in this respect in other countries, how those arrangements are made and how the relationship between seamen and their employers is governed in other countries?

**Shri Abdur Rezzak Khan:** Let us also know why so many desertions take place among seamen.

**Shri Radha Raman:** That is because conditions there are very miserable.

**Shri Dilip Roy:** I only raised this matter to impress upon you the necessity for having legislation as regards hours of work, overtime allowance, nature of duty, unemployment benefit and social security. That is why I wanted to describe the life of Indian seamen. I will compare the conditions of work of our seamen with seamen of other countries—the British, Australian, U.S. and other seamen.

One hon. Member asked why there were so many desertions. There is a large number of desertions of Indian seamen in U.K. ports. At one time, the Masters at Calcutta were very much worried over this question, as to why seamen trained by the Government of India in training ships were deserting in U.K. in large numbers. Many of them gave up this job and tried to find other jobs in our country. The seaman's life is such that any man who has some self-respect and some consideration for his own self cannot continue under the present conditions of employment.



That is why desertions are so large. That is why we request you to make provision for hours of work, nature of duty, overtime allowance and other things in your Bill. You have given Government the power to determine the manning scale and also accommodation required. But we know that manning scale and accommodation are intimately linked up with the nature of duty, hours of work, wages etc. Without fixing the nature of duty, we cannot fix the manning scale.

**Shri V. K. Dhage:** What exactly is the number of hours you would suggest?

**Shri Dilip Roy:** 44 hours.

**Shri V. K. Dhage:** We do not know about the conditions of life in a ship. Let us know in concrete terms how work should be distributed in a ship according to your understanding, so that we may be able to appreciate your point of view and also the nature of the work. Let us also know how improvement could be effected.

**Shri H. N. Mukerjee:** Is it your experience that the hours of work for seamen, generally speaking, are arduous and that attempts at collective bargaining and in having a reasonable definition of hours of work have more or less failed so far which is why you ask governmental assistance by legislation?

**Shri Saleque:** Yes. In my statement, I have made it clear that we do not see any possibility of collective agreements being arrived at to meet the urgent demands of the seamen. That is why we want certain generally accepted international principles to be embodied in the Bill.

**Shri Radha Raman:** Witness has stated that there had been tripartite and bipartite conferences to settle some of the issues with regard to seamen's demands. May I know if these conferences have not been able to come to any agreed decisions? Or is it that they have become obsolete?

**Shri Saleque:** I have also mentioned that the agreement framed in 1944 was absolutely unsatisfactory. Recently there has been some agreement. But while seamen expected a 50 per cent. increase in the wages, the increase given is only 10 per cent. The reason is that the seamen's organisations are very weak.

**Shri Dilip Roy:** There is another point I want to stress. During the debate on this Bill the hon. Minister said that if there was any discrimination between Indian and European seamen on any question, Government would remove the cause of that discrimination. What we have been trying to impress upon you is this. There is clear discrimination regarding wages. While an American seamen receives a wage of more than Rs. 1000, an able-bodied No. 1 seamen here receives Rs. 168 per month. The principle of equal pay for equal work has been enunciated by I.L.O. The hon. Minister said that Government had accepted that principle and was trying to implement it. But we will submit a statement to you later—I have only one copy now—to show how glaringly our seamen are being discriminated as against European seamen.

**Shri Radha Raman:** In their memorandum, they have stated that they would be satisfied if the conditions of service embodied in the Seattle Convention of 1946 are adopted in our country. What are the principal provisions of that Convention in this regard?

**Shri Dilip Roy:** It is regarding wages, hours of work etc.—Convention No. 76. It lays down certain principles. Equal pay for equal work is the fundamental principle. Our able-bodied first grade seamen receive only Rs. 168.

**Shri Radha Raman:** Just now the hon. Minister stated that about 60,000 seamen are working in foreign ships. I would like to know whether, after this Bill is passed, foreign ships

will continue to recruit seamen in India and what will be their position so far as safety and security of service is concerned under Bill.

**Chairman:** That can be discussed later among ourselves. We are not providing for any monthly salary for seamen here.

**Shri S. K. Patil:** If I may make a suggestion, the question may be divided into two parts. Conditions of work, amenities, food etc. are very important indeed, but they are not dealt with in this Bill. They are never dealt with in any statute. Of course, they are dealt with in different other documents. There are conventions, I.L.O., has passed some kind of convention which has not yet been ratified by any country. That is a different matter. What pertains to this Bill is something different. I would request the representatives to point out as to whether some of the provisions that apply to them in this Bill can be amended in any particular manner to increase their conveniences in whatever way they like. The service conditions are matters between the ship-owners and themselves. Government as a third party can suggest something. The contract can be altered or something could be done. But, they are not provided for in this Bill. I am merely drawing the line in order to facilitate expression of opinion. The provisions of the Bill are there. They can suggest in what way they can be altered in order that their lot may be improved. All these are not placed in the enactment itself. There are the Maritime Boards. These matters may be taken up with them. Whatever is part of the Bill, they can point out in a constructive manner, how that can be amended.

**Shri H. N. Mukerjee:** I appreciate that point. If the joint Committee is convinced of the rightness of certain things, we can make recommendations to that effect.

**Shri S. K. Patil:** As background material.

**Shri Tangamani:** In the Bill itself, there are certain provisions dealing with seamen. There is provision as to how disputes are to be settled. They can express their opinions.

**Shri S. K. Patil:** That is all in the Bill.

**Shri Dilip Roy:** Since the Bill has provided for giving power to the Government to determine the manning scale, etc., we want to state that this is the nature of the duty and these are the hours of work. These questions are intimately connected.

**Shri Nagendra Singh:** These are matters which have been left for rule-making. It is not possible to lay down in any statute precisely what the hours of work should be. They will differ from ship to ship, from time to time. As our standard of living rises, we are likely to have higher wages; we might demand lesser hours of work. The whole thing is fluctuating.

Clause 79 says that the Central Government may make rules for the classification of seamen other than ship's officers into different categories and for the prescription of the minimum manning scale of seamen of such categories for ships; and different scales may be prescribed for different classes of ships from time to time. You can certainly say that you should have this. That would come under the rule-making power. Is any amendment necessary to clause 79?

**Shri Saleque:** We should make provisions for manning scale, hours of work, etc. in the Bill.

**Shri Raj Bahadur:** We depend essentially on three things, for wages, hours of work and manning scales. On contract, then, deliberations and conclusions and recommendations of the I.L.O. They have only a month

ago taken certain decisions. There is the Maritime Board which functions in the various ports. There are representatives of the seamen, of the Government and of the ship-owners. Thus, it is a question of agreement. That is determined under clause 92 and the rule-making powers. If the convention laid down by the I.L.O. is accepted, what happens? In respect of manning scale, they have said that a particular standard will be applied. That standard does not suit us. It has been accepted that Indian seamen wherever they are employed, they are always 50 per cent. more than the seamen of other nationalities. If a ship required 100 Englishmen to man a particular ship, the same ship would require 150 Indians. That is the difference.

**Shri Dilip Roy:** Why? That is the type of work.

**Shri Reddy:** We wish to explain this matter.

**Shri Raj Bahadur:** That is what I say. These cannot be determined in the Bill. They have to be determined otherwise.

**Shri Akbar Ali Khan:** We cannot minimise the importance of these things. They deserve consideration. The whole question is whether they can be considered here.

**Shri Dilip Roy:** I would also point out that the 76th Convention of the I.L.O. deals with wages, hours of work and manning scale in the same convention. You cannot separate the one from the other. In the Bill, Government has been given power to decide manning scale and hours of work. We are told that there is the Maritime Board which can decide these things. The Government decides one question which is connected with the other two. These are left to some others. We have been waiting too long. The Maritime Board has been set up during the last two years. We have not gone into such an important thing as

hours of work. Our men have to work for 14 hours.

**Shri Ghosal:** You have already stated that there is no manning scale at present. Suppose 100 persons are taken in a vessel, and 25 persons desert and go out, is that shortage maintained or is it recouped in some other port?

**Shri Saleque:** It is maintained. It may be replaced to a certain extent.

**Shri Reddy:** I wish to give some explanation of clause 79, and amendments.

At present there is no manning scale for Indian seamen. As such, an effort at laying down any manning scale should be welcome. However, there is the danger of copying the manning scale as is applicable for seafarers of western nations. The difference is not only social, educational and physical, but also one of relative general efficiency. Secondly, we must also take into consideration the relative wage packet. Thirdly, the actual work done by the Indians and their counterparts.

In the absence of any definite provision laying down the actual work to be done by each category, any manning scale would be helpless and devoid of any basic formulations. It is significant to note that quite a few jobs like cleaning of boiler, chipping and painting, carrying stores and even cargo to name only a few odd cases, are said to be the normal duties of the Indian seamen while these jobs are done by the shore labour when the ship of the same company is manned by British crew. Even washing of the officers boiler suits was at a time considered as the duty of the engine room ratings and it required a circular of the Ministry of Transport to deny this as the normal duties for fireman.

In laying down the manning scale, therefore, for any particular ship or class of ships, it is very essential to

lay down what work the crew prescribed by this scale will be expected to do.

It is clearly understood that in the case of an emergency where loss to the ship or cargo is feared, the seaman's primary duty is to save the ship and its cargo.

Amendment No. 2 to the same clause. When such manning scale is laid down by the proper authority to enforce the same, the punishment for breach of this manning scale should also be made and relevant amendment should therefore be made in Part XIV.

**Shri Ghosal:** What is the minimum wage that is obtained by the seaman?

**Shri Reddy:** The maximum paid to the Chief Petty officer is Rs. 390. The minimum is Rs. 100 per month. Ratings are paid not less than Rs. 100.

**Shri Nagendra Singh:** Plus free accommodation, etc.

**Shri Sayeed:** That is for the contract period that they are in service. The seamen remain un-employed for 3 to 6 months. If a man is getting Rs. 100, in a year, the calculation comes to Rs. 50 a month.

**Shri Dilip Roy:** A Petty officer in a British ship earns a lot, at least 5 or 6 times.

**Shri Ghosal:** Is each seaman engaged in the same company?

**Shri Sayeed:** There are roasters. There are different seamen for different companies. There are seamen on general roasters.

**Shri Ghosal:** For how many years does a seaman work in the sea in the average?

**Shri Dilip Roy:** Effective service calculating the days a seaman is on board a ship, it is 15 to 20 years.

**Shri Raj Bahadur:** The age of retirement is 60.

**Shri Dilip Roy:** In some companies, some amount is paid as gratuity to the seamen who have put in 20 years of effective service on board the ships of that company. Most of the seamen cannot have any benefit out of this.

**Shri Ghosal:** May I know whether simultaneously with discharge, you get wages, or you have to wait for five days?

**Shri Dilip Roy:** More than five days. If it is more than five days, the company pays some allowance. They have to wait at least for five days.

**Shri Ghosal:** For these five days, nothing is paid?

**Shri Dilip Roy:** Nothing.

**Shri Ghosal:** Is there any system of insurance for seamen?

**Shri Dilip Roy:** No insurance.

**Shri Reddy:** On this question, I wish to say something. There is absolutely no doubt that the cargo carried on the ship is adequately insured. Shipping companies insure themselves against any loss to their ships or passengers or cargo carried aboard. The present practice has been to compensate seamen under the Workmens Compensation Act which has been given statutory sanction by the present Bill. However, this Act cannot sufficiently compensate the seamen. It can be understood where this may cover accidents arising in the normal course of seamen's employment. However the peculiar nature of the seamen's job is such as to make his work normally hazardous. The seaman has to face the chance of a clamity far from his home in the high seas where the chances of survival are remote.

In case of fire on board, the seamen cannot, like the shore workers, abandon their place of work and leave

the fire-fighting to the regular fire-fighting service. Samuel Johnson has said that life on board was like life in a goal with the additional danger of being drowned. I wish to give the example of a recent accident in which 45 of the 50 Indian seamen died in a ship which was carrying dangerous cargo. The seamen were paid Rs. 4,000 according to the Workmen's Compensation Act. Whereas the ship is insured, the cargo is insured and the officers that work on board the ship, for the Indian seamen, there is no insurance.

Secondly, when the seamen are sent by plane either to join the ship or to Bombay when they are discharged at a foreign port, they are insured for Rs. 15,000.

**Chairman:** This sum of Rs. 4000 is paid as compensation under the Workmen's Compensation Act. The point that you are making is relevant only so far as the Workmen's Compensation Act is concerned. Not here.

**Shri Reddy:** On this point, I submit that seaman are insured while they travel by air, whether they are engaged or discharged at a foreign port and sent back to Bombay, for Rs. 15,000. The same provision must be there when they are engaged in a ship which carried dangerous cargo, when they are engaged in oil tankers where the danger is always there.

**Shri Sayeed:** Our submission is that British ship-owners recruit crew from Indian ports because Indian crew are cheaper. They take our men from here. They insure their own goods; they insure their ships and their British officers. But, they do not insure our seamen. That is the point we want to impress upon you.

**Chairman:** Can we by legislation provide that British shippers taking their crew from India will be bound to give such and such facilities?

**Shri Reddy:** These Indian ships can do.

**Shri Sayeed:** We do not differentiate in the matter of insurance.

**Chairman:** But they differentiate. They insure the officers in their ships but do not insure the crew that they recruit here. That is the point you have made. Do you think that if we provide in the Bill that they should give the same insurance facilities to Indian seamen, otherwise they will not be allowed to recruit from India, it will be beneficial to the recruitment of Indian seamen by foreign countries?

**Shri Nath Pal:** We want to improve your condition in every possible way, but if we pass such a law, the British employers may find it too onerous and they may begin recruiting seamen from other countries in Asia, for instance from Dacca.

**Shri Saleque:** It is not so easy. They have been trying to set up a recruitment office there, but there are difficulties. For embarking they will have to go to Colombo or be flown to England as Pakistani crew are not allowed to embark in Indian ports.

**Chairman:** They may go to Chittagong.

**Shri Sayeed:** Most of them do not go.

**Shri Nagendra Singh:** There are English seamen available, because there is idle tonnage in England.

**Shri V. K. Dhage:** They are not satisfied with the functioning of the Board, and in their recommendations they want the shipping master should have the sole authority in these matters. How do they expect the shipping master to give an independent judgment in the matter of the dispute if he also happens to be an employee of the ship owner?

**Shri Dilip Roy:** He is not an employee of the ship owner. He is a Government employee.

**Shri Raj Bahadur:** There is difference between master of the ship and the shipping master. The master of the ship is an employee of the company, but the shipping master is an officer of the Mercantile Marine Department of the Government of India.

**Shri V. K. Dhage:** Even so, how do you expect fair treatment?

**Shri Sayeed:** Two years after the Maritime Board had been set up, the vital question of risk, about which legislation had been passed by all the State Assemblies and the Centre, for all sections of workers, has not been taken up. So, we are not satisfied with the functioning of the Board.

Secondly, the position of the shipping master is that of a post box. If on board a ship a British officer has maltreated an Indian seaman or used abusive language, the shipping master makes a sort of formal enquiry, and if he says something against the officer, the ship owner will not agree to it. Even if the shipping master suggests that the officer has behaved badly towards the crew and that he should be transferred or dismissed, that will be never carried out by the ship owners.

**Shri Nagendra Singh:** That is not so.

**Shri Raj Bahadur:** One of the functions of the shipping master is to enquire into the grievances and complaints of the seamen. In that enquiry, the master of the ship or the officer of the ship is put in front of the complainant. Both are on a par so far as justice is concerned, evidence is led and conclusions are reached, and whatever decision is arrived at also determines the fate of the particular officer of the ship, because he might be chucked out of the company.

**Shri Saleque:** It is recommendatory, not obligatory.

**Shri Raj Bahadur:** Because he is a national of a foreign country. We can only recommend that the particular officer has misbehaved towards this seaman, and therefore this punishment should be given to him.

**Shri Sayeed:** The same chief officer or the same chief engineer has been allowed to come on the same ship.

**Shri Raj Bahadur:** May be, because our writ does not run there.

**Shri V. K. Dhage:** You want the shipping master to have more powers?

**Shri Raj Bahadur:** Even if you give it, how does it help?

**Shri Nagendra Singh:** There is the sanction that the seamen themselves will not come forward.

**Shri V. K. Dhage:** They say that collective agreement has not worked successfully in Indian conditions because of the weak and undeveloped character of the trade union organisation. Because of this you want that collective agreement should not be considered?

**Shri Nath Pai:** This is a general observation.

**Chairman:** They want a remedy in some other form.

**Shri V. K. Dhage:** How are holidays regulated on a ship which is on the sea?

**Shri Dilip Roy:** For British seamen there are national days, Christmas etc., for which they get holidays, and if a seaman works on those days, he is to be paid overtime allowance at double the rate, or whatever is fixed.

**Shri V. K. Dhage:** I would like Sunday to be free. Suppose we say so, how do you ensure it?

**Shri Dilip Roy:** By rotation.

**Shrimati Savitri Nigam:** In your memorandum you have said that union representatives should be allowed to go on board for prohibiting strikes etc. What amendments do you suggest for saving the seamen from exploitation?

**Shri Saleque:** We have suggested specific amendments.

**Shrimati Savitri Nigam:** You want the clause to be deleted. How do you suggest discipline will be maintained in the ship?

**Shri Saleque:** Discipline is not one-sided. It is binding on the seamen as well as the officers.

**Shrimati Savitri Nigam:** What amendment do you suggest so that the master may also be brought under the purview of discipline as the crew?

**Shri Saleque:** In the last line of the memorandum on page 6 we have given this.

**Shri Tangamani:** Page 3, line 2 of your memorandum deals with clause 92. It deals with the content and form of the agreement. You have mentioned two points. Do you want risk also to be included in the body of the agreement itself?

**Shri Saleque:** Yes.

**Shri Dilip Roy:** And the nature of the duty also.

**Shri Sayeed:** If a helmsman is asked to do painting work, it should be prohibited.

**Shri Tangamani:** Supposing there is a cargo boat of 8,000 or 10,000 tons. What will be the strength of the crew, if there is no passenger facility?

**Shri Saleque:** Sixty-five to seventy.

**Shri Tangamani:** Where they take 12 passengers, what will be the strength?

**Shri Saleque:** It will be increased by four or five hands.

**Shri Tangamani:** Are the amounts of wages also entered in the agreement?

**Chairman:** If you read clause 92, you will find that the agreement has to contain so many things.

**Shri Tangamani:** In clause 92, they want that the hours of work should be stipulated at 44 hours a week and not more than that.

**Chairman:** That can be had only by agreement, because we cannot bind down people of other nationalities.

**Shri Tangamani:** You were referring to the conventions of the ILO. But our Minister of Shipping said that the convention which was adopted a few days ago has not been ratified. I would like to know whether any of the conventions dealing with crew and other matters has been ratified.

**Shri Nagendra Singh:** No country has ratified the international convention regarding hours of work, manning scale and wages, and no country is prepared to ratify it.

**Shri Tangamani:** The point is that there are so many conventions dealing with labour generally, but none of them has been ratified by the Government of India. For instance, there is the convention about food which has been ratified by all the other Governments.

**Shri Raj Bahadur:** We are talking about hours of work, manning and wages. These three conventions have been recently adopted by the I. L. O. My information is that they have not been ratified by anyone.

**Shri Saleque:** Two countries have ratified.

**Shri P. R. Subramanian:** Nearly seven conventions have been ratified out of 20. There are about twenty

conventions on maritime matters. We have ratified seven of them, and implemented four or five of them but due to technical reasons we could not ratify them.

**Shri H. N. Mukerjee:** May I know whether the conventions we have ratified refer to hours of work?

**Shri Nagendra Singh:** The convention regarding hours of work, manning and wages has been the subject-matter of discussion at the ILO conferences for nearly ten years. It was adopted by the ILO Maritime Session only a month back, and it is now open for the countries to consider ratification.

**Shri H. N. Mukerjee:** As for the convention regarding conditions of work of seamen in our country, are you going to incorporate them in the legislation that is being proposed or are you going to take any other course?

**Shri Nagendra Singh:** These conventions when ratified will have almost the same force in law as an Act, for, when you ratify an international convention, you are supposed to adopt it. Then, automatically it will find a place in the article; and under clause 92, the details of the convention will come.

**Shri H. N. Mukerjee:** But the formulation of this clause is rather vague and generalised, and maybe, we may make it more objective and concrete and exact if we act on their suggestions.

**Shri Nagendra Singh:** We have left them off deliberately, because later on, other things may crop up and they would not be provided for here. After all, we have sub-clause 2 (1) which is an omnibus provision which caters to so many new things which will be springing up as labour becomes more and more powerful and wants more and more amenities. So, why not adopt an omnibus course? When

these conventions get ratified, they will have the force of an Act. And the Act will not need any amendment. If we make the Act narrow and parochial, we shall be needing amendments at every stage.

**Shri Dilip Roy:** Even if the Act or the rules provide for wages and hours of work, still, if at any time, the seafarers and the shipowners could arrive at a more lucrative agreement, Government should accept that.

**Shri Nagendra Singh:** Government policy has been that all these matters should first and foremost form the subject-matter of bipartite discussions between the seafarers and the shipowners. Once they have discussed it and come to conclusions, we implement them. If they cannot come to a conclusion, and if you need legislation for that purpose, it will be very difficult, because you will always have two parties blaming the Government. Government do not want to step in unless it is absolutely imperative. The National Maritime Board has been formed for this purpose only a year back.

**Shri Sayeed:** May I request you to go through the Seattle Convention of 1946, wherein there were certain decisions about manning scale, hours of work and so on. Although twelve years have passed since then, none of the conventions has found a place here.

**Shri Nagendra Singh:** The danger is that if we ratify all those conventions, you lose employment. Are you prepared for it? The foreign shipowner is today absolutely prepared to send away Indian seamen; and he is threatening us every minute. When I was in London, they were telling me that they did not want Indian seamen if they were clamouring for more wages, and for the same manning scale etc. as the foreign seaman. It is obvious. It is a question of economics. They find that it is more profitable for them to employ their



seamen because they are slightly cheaper; you yourself have stated so.

**Shri Dilip Roy:** We would request you to go into this question and see that our seamen are given certain benefits without stipulating any conditions which would make the British shipowners refrain from taking our crew.

**Shri Nagendra Singh:** At every step, that is our effort.

**Shri Raj Bahadur:** Certainly, we go to the farthest extent to make life comfortable and to improve and ameliorate their terms and conditions of working. But there is one limiting matter, namely that we have got to see that we are not exposed to the risk of losing employment for 60,000 men in our country. That is the one reason why we will not impose conditions.

In fact, two of the foreign liner company representatives came to me and told me that they would like to go to the Far Eastern countries for having their recruitment centres, because of certain troubles that arose there. I told them frankly that if they did that, we would consider that to be an unfriendly act; and we would try to make up things as best as we can and try to reconcile the differing or opposing points of view. But I told them that if they went to Pakistan and other countries for recruiting centres, we shall definitely consider that as an unfriendly act. On that, and on that alone, they desisted for some time. So, please help us to improve the conditions within these limitations.

**Shri Tangamani:** I find that you represent three organisations, the All-India Seamen's Federation, the United Seamen's Union and the Seafarers' Union of India.

**Shri Sayeed:** Actually, there are two organisations under the All-India Seamen's Federation, the one at Calcutta and the other at Bombay.

B LS.—10.

**Shri Tangamani:** In your memorandum and also in the note which you have circulated to us today, you mention that you have got a large membership, but you have not been given recognition. What is your membership?

**Shri Raj Bahadur:** Is it relevant to this Bill?

**Chairman:** That will arise when there is the question of recognition. That has nothing to do with the Bill.

Anyhow, you can have it as a piece of information.

**Shri Sayeed:** 15,000 in Calcutta and 8,400 in Bombay.

**Shri Tangamani:** So, you can speak with some authority.

**Shri Raj Bahadur:** That claim has not been accepted.

**Shri Saleque:** Because you have not granted recognition.

**Shri Raj Bahadur:** It is not our decision alone.

**Shri Sayeed:** About the membership and strength of the organisation, you can ascertain the position from the registrations made, which are available in the Government records.

**Chairman:** That is not relevant here.

**Shri Sayeed:** The Director-General of Shipping promised that he would look into the matter, but this is the third year after that promise, and that has not been implemented.

**Shri Tangamani:** Regarding the crew committee, what should be its functions? That is not very clear. I believe you want a committee consisting of the elected representatives of the crew for certain purposes on board the ship. May I know what should be the functions of that crew committee?

**Shri Ajit Sarkar:** In countries like the USA, they have a ship's delegate there called 'Shop steward' on board the ship. He represents trade unions on the ship, and thereby, these people form a shipping committee. And this committee deals with matters of grievance with the ship's master. That is what we have in mind.

**Chairman:** We are really thankful to you for giving us certain information which you feel is very important from the point of view of the seamen. You have also given us in your memorandum certain points. We shall give them the best consideration possible.

**Shri Dilip Roy:** We are handing over to you certain papers which you may use.

**Chairman:** We thank you very much for having taken the trouble of coming and giving us your views on the matter.

**Shri Sayeed:** May I make one request? We are very happy to hear that the Committee is going to visit the Bombay and Calcutta ports. We would request hon. Members not just to visit the ship office or the Behala boarding, because 80 per cent. of the seamen do not live in the Behala boarding but live outside; and their life also has to be studied, and one should know how those who are unemployed have to carry on their life with Rs. 2 a week.

**Chairman:** You can select the places and we shall visit just one or two places.

**Shri Sayeed:** It is very kind of you.

**Shri Saleque:** We thank you for giving us a patient hearing and for taking so much interest in our welfare.

*(The witness then withdrew.)*

*(The Committee then adjourned.)*

JOINT COMMITTEE ON THE MERCHANT SHIPPING BILL, 1958

Minutes of Evidence taken before the Joint Committee on the Merchant Shipping Bill, 1958.

Monday, the 21st July, 1958 at 15.00 hours

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

Lok Sabha

Shri Liladhar Kotoki	Dr. Y. S. Parmar
Shri S. Osman Ali Khan	Shri N. M. Wadiwa
Shri Harish Chandra Mathur	Shri Radha Raman
Shri Anirudha Sinha	Shri Shivram Rango Rane
Shri Ghanshyamlal Oza	Shri Raj Bahadur
Shri Raghunath Singh	Shri K. T. K. Tangamani
Shri Nardeo Snatak	Shri Nath Pai
Shri Tekur Subrahmanyam	Shri Ram Sewak Yadav
Shri K. P. Kuttikrishnan Nair	Shri S. A. Matin
Shri K. Periaswami Gounder	Shri Aurobindo Ghosal
Shri Mool Chand Jain	Shri S. K. Patil

Rajya Sabha

Shri Akbar Ali Khan	Shri R. S. Doogar
Shrimati Savitry Devi Nigam	Shri Abdur Rezzak Khan
Shri Jethalal Hari Krishna Joshi	Shri V. K. Dhage
Giani Zail Singh	Shri R. P. Sinha
Shri Vijay Singh	Dr. P. J. Thomas

DRAFTSMAN

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

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri Nagendra Singh, *Joint Secretary, Ministry of Transport and Communications.*

Shri P. R. Subramanian, *Deputy Director-General of Shipping.*

Shri S. K. Ghosh, *Deputy Secretary, Ministry of Transport and Communications.*

SECRETARIAT

Shri A. L. Rai—*Under Secretary.*

## WITNESSES EXAMINED

## I. All India Sailingvessels Industries Association, Bombay.

Spokesman:

Shri Damodar Mathuradas Asher.

## II. The Company of Master Mariners of India, Bombay.

Spokesman:

Capt. C. Sankunni.

Capt. S. B. Aga.

## I. All India Sailingvessels Industries Association, Bombay.

Spokesman:

Shri Damodar Mathuradas Asher.

*(Witness was called in and he took his seat)*

**Chairman:** You have submitted a memorandum on behalf of the All India Sailing Vessels Industries Association. I would like to tell you that the proceedings of this committee can be made public, but if you want that any portion of your evidence should be kept secret, we can keep it secret not from Members of Parliament, but from the public. So, if there is anything secret, please tell so.

Have you got anything in addition to say or to stress any particular point in your memorandum which you want to put before the committee personally?

**श्री राज बहादुर :** आप ने सैक्शन ४०३ के बारे में आपत्ति उठाई है। आप का कहना है कि इस में १ रुपये की जो लिमिट रखी गई है, उस को ४ आना कर दिया जाय। इस में लिमिट १ रुपया थोड़ा कर देंगे। कभी ऐसा मौका आता है कि ४ आने के बजाय ६ आने कर दिया जाय। जब आप का सारा उद्योग खुशहाल होगा, तो फिर इस एक्ट को बदलना पड़ेगा। हमें यह भी देखना है कि दस, पंद्रह बरस में इस एक्ट को दोबारा न बदलना पड़े। इस में कोई आपत्ति नहीं होनी चाहिये। यह व्यवस्था की गई है कि एक रुपये तक हो सकता है।

**श्री अशर :** हमारे लोगों का ख्याल है कि अगर शुरू में ही एक रुपया कर दिया जायगा, तो कठिनाई होगी।

**श्री राज बहादुर :** ऐसा नहीं होगा।

सैक्शन ४०३ के सब-सैक्शन (४) (बी) के बारे में आप को क्या कहना है? उस में लिखा है—दि रिग एंड टनेज आफ दि वेसल।

**श्री अशर :** सेलिंग वेसल एक ही जाति का नहीं होता है। उस की पंद्रह बीस जातियां होती हैं। इस में रिग के बदले टाइप रखा जाना चाहिये।

**Shri Raj Bahadur:** He says the registration should also explain the type of the vessel. He wants to say: "rig, type and tonnage" should be mentioned there. We have no objection to that.

सैक्शन ४०३ के सब-सैक्शन (४) (सी) के बारे में आप क्या कहना चाहते हैं? आप चाहते हैं कि शोयर्ज का भी जिक्र होना चाहिये। उस के बारे में स्थिति यह है कि हम ने सब-सैक्शन (४) (एफ) में यह लिख दिया है कि—सच अदर पार्टिकुलर्ज एज मे बि प्रैस्क्राइब्ड। हम ने अधिकारी पर ही छोड़ दिया है कि अगर वह आवश्यकता समझे तो वह शोयर्ज की गिनती भी मांग सकता है। अगर कोई कमी हो, तो अनुभव के आधार पर (एफ) के अन्तर्गत उस कमी को पूरा किया जा सकता है। (एफ) में सब कुछ आ जाता है।

**श्री अशर :** तो ठीक है।

श्री राज बहादुर : नियमों में यह अच्छा रहेगा। रूलज़ विल कवर इट बैटर। सैक्शन ४०७ के बारे में आप ने कहा है कि इंस्पैक्शन के लिये एक कमेटी बनाई जाय। यह कमेटी आप क्यों बनवाना चाहते हैं? यह काम तो विशेषज्ञों का है और विशेषज्ञ—एक्सपर्ट—ही इस काम को अच्छी तरह कर सकते हैं। अगर आप इस के साथ कोई कमेटी लगायेंगे, जो कि विशेषज्ञ नहीं है, तो इस का विशेषज्ञों पर असर पड़ सकता है, वह प्रभाव में आ सकता है।

श्री अशर : वे स्टीमर के एक्सपर्ट होंगे और अगर उन के साथ सेलिंग वेसल का एक आदमी रहे, तो जरा ठीक रहेगा।

श्री राज बहादुर : जो एक्सपर्ट होगा, वह यह देखने के लिये इंस्पैक्ट करेगा कि सेलिंग वेसल में कोई कमी न हो, कोई नुक्स न हो, कोई दोष न हो। जो कुछ भी विशेष ज्ञान उस के पास है, वह उस के आधार पर काम करेगा। इस लिये जो लोग विशेषज्ञ नहीं हैं, उन की सम्मति की क्या आवश्यकता है?

श्री आर० पी० सिन्हा : जहां तक मैं समझा हूं, उन का मतलब यह है कि जो लोग सेलिंग वेसल बनाते हैं, उन लोगों को भी इस में शामिल कर लिया जाय, क्योंकि उन के दिलों में यह डर है कि यदि एक्सपर्ट्स के ऊपर छोड़ दें, तो स्टीमशिप वाले ही एक्सपर्ट होंगे, तो उन का तजुर्बा इस बारे में उतना अच्छा नहीं होगा, जितना कि सेलिंग वेसल बनाने वालों का होता है।

श्री राज बहादुर : इंस्पैक्शन का नियम यह है कि जो माल का बनाने वाला है, वह खुद इंस्पैक्टर न बन जाय।

श्री आर० पी० सिन्हा : जहां तक मैं समझा हूं, वह चाहते हैं कि जो लोग सेलिंग

वेसल बनाने के एक्सपर्ट हैं, उन लोगों को भी कनसल्ट किया जाय।

Shri Raj Bahadur: As they are interested parties, according to you, it is not correct on principle to ask them to do it.

Shri V. K. Dhage: While you are not opposed to inspection as such, the inspection must be done by an outside agency.

Shri Raj Bahadur: We can give this much of assurance that the rules for inspection are, of course, framed and promulgated by the D. G., keeping in view the requirements of the situation. Therefore, it is obvious that the rules meant for the regular vessel will not apply to the sailing vessels. That is a matter on which we can modify the rules on the basis of our experience. We can examine that point.

श्री अशर : इतना ही काफी है।

श्री राज बहादुर : ४१० में आप टिडल को हटवाना चाहते हैं। यह तो हम ने आप की सुविधा के लिये रखा है।

श्री अशर : हम को बहुत तकलीफ़ होती है।

श्री राज बहादुर : हम को इस में कोई आपत्ति नहीं है। टिडल को डिलीट किया जा सकता है।

आप और कौन सा प्वाइंट लेंगे ?

श्री अशर : मुझे कुछ नहीं कहना है।

श्री राज बहादुर : आप सैक्शन ४१४ में एक और सब-सैक्शन क्यों बढ़वाना चाहते हैं ?

Shri R. P. Sinha: What is the point at issue?

Shri Raj Bahadur: Under section 414 he wants the addition of a new sub-clause. I am referring to the Memorandum dated the 9th.

**श्री अशर :** अगर यह व्यवस्था नहीं की जायगी, तो छोटे छोटे कोर्ट के आफिसरों के कारण मुश्किल हो जायगी। बड़े आफिस में ता तकलीफ नहीं होती, लेकिन माइनर पोर्ट्स में छोटे छोटे आफिसर रहते हैं। कोई रिकार्ड न होने की वजह से कम्प्लेंट का भी कुछ फायदा न होगा।

**श्री राज बहादुर :** इन का कहना यह है कि अगर रजिस्टरी का सर्टिफिकेट रद्द कर दिया है, खारिज कर दिया है, तो आप ने उसे दे दिया, तो कोई आफिसर कहेगा कि वापस नहीं दिया है। उस को रजिस्ट्रार के यहां दाखिल करा सकते हैं। वह खारिज सर्टिफिकेट को रजिस्ट्रार के यहां दाखिल करने का अधिकार मांगते हैं।

**श्री अशर :** इंस्पेक्शन करने के लिये रिफ्यूज कर दिया जाता है।

**श्री राज बहादुर :** इंस्पेक्शन उन्होंने किया। उस के बाद देखा कि सर्टिफिकेट देने लायक नहीं है, रजिस्ट्री नहीं हो सकती है। पुराना सर्टिफिकेट खारिज हो गया है। आप का मतलब क्या है ?

**Shri R. P. Sinha:** He wants that in cases where the certificate of registry or inspection is refused to owner it should be deposited with the Registrar.

**Shri Raj Bahadur:** We will examine it and, if necessary, incorporate it.

**Chairman:** We will now take up the next point.

**श्री रघुनाथ सिंह :** मैं भी आप से इसके बारे में एक सवाल पूछना चाहता हूँ। आप माल तो फेंक देते हैं लेकिन चैकिंग किस तरह से हो सकती है कि आपने उतना ही माल फेंका है जितना आप कहते हैं। ऐसा भी हो सकता है कि कोई ४०-५० बोरे फेंके और कह दे कि मैंने १०० फेंके हैं। अब इसकी चैकिंग किस तरह से हो ?

**श्री आर० पी० सिन्हा :** दिक्कत तब पैदा होती है जब इनको पता नहीं होता है कि क्या क्या और कितना कितना माल फेंका गया है। इसकी वजह यह है कि जिस वक्त तूफान आता है तो दो चार या पांच आदमी मिल कर माल गिराना शुरू कर देते हैं। उस वक्त इसकी गिनती नहीं हो पाती है कि कितना माल गिराया गया है। इनका कहना यह है कि इसका पता तब चलता है जब माल को अनलोड किया जाता है। जब बोरों में माल होता है तब तो आप गिन कर यह बता सकते हैं कि इतना माल गिराया गया है लेकिन जब खुला माल भी होता है तो उस सूरत में यह बतलाया नहीं जा सकता है कि कितना फेंका गया है। इनको दिक्कत भी सही दिखाई देती है। ऐसी सूरत में मैं यह कहना चाहूंगा कि क्या यह सही नहीं होगा कि पहले ये सिर्फ इतनी रिपोर्ट दे दें कि हमने माल जैटिसन किया है और बाद यह बतलाया जाये कि जैटिसन किया है।

**Shri Raj Bahadur:** All these things require a little more closer examination. When the unloading has begun, it is very difficult to verify whether a particular item of the cargo has been jettisoned or not. Both the officer here and the owner of the sailing vessel can otherwise share the booty. Why should we allow that position? That is why I say that we will examine this.

**श्री अशर :** आज तक तो ऐसा होता आया है कि जब कभी माल जैटिसन किया जाता रहा है, उसकी इत्तिला दी जाती रही है। जब जहाज आ जाता है और जब कार्गो डिस्चार्ज किया जाता है और जब वह डिस्चार्ज हो जाता है तो वह कस्टम्स के कब्जे में आ जाता है और जो मालिक होता है, जो ओनर होता है वह उसको हाथ नहीं लगा सकता है। ऐसी सूरत में बहुत दिक्कत का सामना करना पड़ता है।

**श्री नरेन्द्र सिंह :** अगर आपने कुछ माल फेंका है तो आप बता सकते हैं कि इतना फेंका है।

श्री अशर : यह नहीं बताया जा सकता है उसी वक्त ।

श्री नरेन्द्र सिंह : १२ घंटे के बाद तो आप बता सकते हैं ।

श्री अदर : २४ घंटे रख दीजिये ।

श्री धार० पो० सिन्हा : जब माल डिसचार्ज हो जाता है तभी पता चल सकता है कि कितना जेटिसन हुआ ।

श्री अशर : कुछ लूज माल भी होता है जिसके बारे में दिक्कत पैदा होती है । इस वास्ते समय मांगा जा रहा है ।

श्री ध्यं० कु० ढगे : मैं दो तीन सवाल करना चाहता हूं । ये जो सेलिंग बैसेलज हैं इनके बारे में आपका यह कहना है कि इनके ले जाने के लिये कोई ऐसी कोमोडिटी मख-सूस कर दी जाए जिस को आप ले जा सकें । मैं आप से पहले तो यह पूछना चाहता हूं कि आप कौनसी चीजें चाहेंगे जो इसके लिए रिजर्व कर दी जायें ?

सभापति महोदय : अभी तो जो इनको कहना है वह खत्म नहीं हुआ है । जब यह खत्म कर लें, तो आप सवाल पूछ सकते हैं ।

श्री ध्यं० कु० ढगे : यह तो खत्म कर चुके हैं ।

सभापति महोदय : अभी खत्म नहीं हुआ है ।

श्री राज बहादुर : सैकशन के ४१६ के बारे में आप कहते हैं कि जो माल जेटिसन किया जाता है, उसके बारे में स्टेटमेंट दाखिल करने के लिए आपको ७२ घंटे का वक्त दिया जाए । मैं पूछना चाहता हूं कि आप ७२ घंटे क्यों चाहते हैं ?

इसके बारे में पृष्ठ भूमि के तौर पर मैं आपको बतलाना चाहता हूं कि सेलिंग बैसेल

सामान ले जाते हैं और जो माल जेटिसन किया जाता है, उसके बारे में कोई लोग ईमानदारी से काम लेते हैं तो कई बेईमानी भी कर लेते हैं । वे जब तूफान आ जाता है उस वक्त जो माल फेंकते हैं, बाद में उतना नहीं बतलाते जितना फेंका होता है बल्कि ज्यादा बतला देते हैं । इसका नतीजा यह होता है कि लोग सेलिंग बैसेलज पर सामान नहीं भेजते हैं और इसके नतीजेके तौर पर जो इंडस्ट्री है वह सफर करती है । इस वास्ते बेहतर यह है कि इस के बारे में जितनी कड़ाई हो उतनी ही इंडस्ट्री के लिए अच्छा होगा । जब कभी भी ऐसी बात हो तो फौरन ही जितना भी माल फेंका गया हो, उसकी रिपोर्ट होनी चाहिए कि फलां फलां माल फेंका गया है ।

श्री अशर : जो कोई बुरा काम करते हैं उनको ही इसका पता होगा । हम तो सच्चाई से काम करते हैं और हम इसके बारे में कुछ नहीं कह सकते हैं । जब कभी तूफान आता है तो टिडल कहता है कि थोड़ा बहुत सामान निकाल कर फेंक दो ताकि बैसेल थोड़ा बहुत हल्का हो जाए । कोई आदमी पांच बोरे फेंक देता है तो कोई दस फेंक देता है । उस वक्त इसकी कोई गिनती नहीं होती है । दो हजार जब बोरे होते हैं तो उसमें से तीन या चार सा फेंक दिये जाते हैं । उस वक्त तो गिनती नहीं हो सकती है और बाद में ही पता चलता है कि इतना माल फेंक दिया गया है । इस वास्ते हम चाहते हैं कि स्टेटमेंट फाइल करने के लिये टाइम दिया जाना चाहिए ।

**Chairman:** We have heard the arguments from the side of the witness. What is the actual quantity to be jettisoned? There may be certain controls not on bulk but on bales. It is not also possible to say definitely that this is the quantity which has been jettisoned. One case may vary from another. I am suggesting that there should be reasonable time for the officer to see what is the nature of the cargo and whether it was possible for

the owner to report within six hours or not. We shall examine this point further.

**Shri Mool Chand Jain:** The word 'reasonable' will encourage corruption on both sides, the officers as well as the owners of vessels. We have enough experience of it.

**Chairman:** You have to trust some officer.

**श्री व्यं० कृ० ढगे :** एक सवाल मेरा यह है कि क्या आप चाहते हैं कि आप की तिजारत के लिये कोई खास चीज ऐसी हो जिसे सिर्फ आप के सेलिंग वेसेल्स ही ले जायें दूसरे नहीं ?

**श्री अशर :** यह कहना तो बड़ा मुश्किल है। छोटी छोटी चीजें हैं जैसे पत्थर, टाइल्स, रेल वगैरह, जो कि हम उठाते हैं, दूसरी जेनरल मर्चेन्डाइज हैं। तो इस के लिये एक चीज मैं नहीं बतला सकता। हर एक चीज हम उठा सकते हैं, लेकिन हर एक चीज के वास्ते हम कैसे कहें कि वह हमारे वास्ते रख दी जाय ?

**श्री व्यं० कृ० ढगे :** दूसरी बात यह है कि इतनी दूरी के लिये जो भी सामान ले जाया जाय, वह सिर्फ सेलिंग वेसेल्स ही ले जायें, उस जगह कोई दूसरे लोग काम न करें, क्या आप समझते हैं कि ऐसा हो सकता है ? मसलन् बम्बई से किसी जगह आप का कोई सामान जाना है, उस के लिये सिवा सेलिंग वेसेल्स के कोई दूसरे जहाज काम में न लाये जायें, ऐसा रिजर्वेशन हो सकता है ?

**श्री अशर :** सेलिंग वेसेल्स के लिये कोई ऐसी बात रखी जाय तो अच्छा ही है। आज भी जहां पर सेलिंग वेसेल्स माल ले जाते हैं, वहां दूसरा कोई जहाज माल नहीं ले जाता।

**श्री व्यं० कृ० ढगे :** आपने अपने मेमो-रैन्डम के पैरा ८ में कहा है "Non-Indians like Pakistanis, Arabs (for some time yet to come the Portuguese Goans) etc. have already a large number of

vessels playing on the coast. Many of them are registered in India. They can now simply transfer their vessels to a Company registered in India, and under Section 12 of the proposed Act their ships will be Indian Ships, able to continue trading on the coast." क्या सेलिंग वेसेल्स के लिये भी लागू होता है ?

**श्री अशर :** सेलिंग वेसेल्स के वास्ते कोई कानून ही नहीं है। किनारे पर जो माल है उसे सब उठा सकते हैं। अरब वेसेल आते हैं, ईस्ट अफ्रीका के वेसेल आते हैं, यह सब करीब ७५ परसेन्ट माल उठा लेते हैं, हम को वह नहीं मिलता।

**श्री व्यं० कृ० ढगे :** अरब वाले ले जाते हैं, यह तो ठीक बात है, लेकिन अगर वह ट्रेड हमारे शिप्स के लायक हो तो दूसरे शिप्स उसे क्यों करें, हम ही क्यों न करें ?

**श्री अशर :** अपना कोस्टल ट्रेड नहीं है। यह लोग जो माल लाते हैं वह एक्स्पॉर्ट करते हैं। उन को उस का पैसा मिलता है। यहां से टिम्बर वगैरह ले जाते हैं। वहां से जो माल वह ले जाते हैं उस से सेलिंग वेसेल्स को तो नुकसान होता है लेकिन हमारा जो माल एक्स्पॉर्ट होता है उससे हम को फायदा होता है। वेसेल्स को फायदा नहीं होता लेकिन हिन्दुस्तान को तो होता है।

**श्री नाथ पाई :** पैराग्राफ ८ में आप ने लिखा है .....

**श्री अशर :** कम्पनी ला जो है उस में इस के बारे में लिखा है कि ५१ परसेन्ट, ४९ परसेन्ट, ७५ परसेन्ट, २५ परसेन्ट, अगर इस को लागू कर दिया जाय तो मुश्किल हो जायेगी। फौरन कम्पनीज जो इंडिया में रजिस्टर की गई हैं, अगर उन को इंडियन रजिस्टर में लाया जायेगा तो मुश्किल हो जायेगी।

**श्री रघुनाथ सिंह :** अरब वेसेल्स और पाकिस्तानी वेसेल्स हिन्दुस्तान में रजिस्टर होने चाहियें या नहीं, यह सिम्पुल सवाल है।



**श्री अशर :** अगर उन का रजिस्ट्रेशन हिन्दुस्तान में होगा तो अपने सेलिग वेसेल्स को क्या मिलेगा ? यह नहीं होना चाहिये ।

**सभापति महोदय :** आपके सेलिग वेसेल्स जो कार्गो लाते हैं उस में कितना कोस्टल ट्रेड है और कितना नानकोस्टल ट्रेड है । अरब कोस्टल ट्रेड जो है और इंडियन कोस्टल ट्रेड जो है उन दोनों में क्या प्रपोर्शन होना चाहिये ? आप के सेलिग वेसेल्स जो हैं वह कितना ट्रेड करते हैं और कितना दूसरे कोस्टल ट्रेड करते हैं ?

**श्री अशर :** वेसेल्स १७, १८ लाख टन तक माल उठाते हैं । हमारे स्टीमर्स ज्यादा उठाते हैं । सेलिग वेसेल्स से स्टीम शिप्स हमेशा ज्यादा सामान उठाते हैं ।

**सभापति महोदय :** मैं स्टोमशिप्स की बात नहीं पूछ रहा हूँ । जो कोस्टल सेलिग शिप्स हैं उन में इंडिया के भी सेलिग वेसेल्स हैं और बाहर के भी सेलिग वेसेल्स हैं जो कि हमारे यहां कार्गो ले कर आया जाया करते हैं । इस कोस्टल ट्रेड में हमारे सेलिग वेसेल्स के पास कितना ट्रेड होना चाहिये और बाहर के वेसेल्स के पास कितना ट्रेड होना चाहिये ?

**श्री अशर :** सेलिग वेसेल्स २ लाख टन माल एडजेस्ट ट्रेड में उठाते हैं और कोस्टल ट्रेड में कोई १६, १७ लाख टन ।

**सभापति महोदय :** तो कोस्टल ट्रेड आप के लिये रिजर्व कर दिया जाय ? फारेन वेसेल्स को न दिया जाय तो आप का माल २ लाख टन से बहुत ज्यादा हो जायेगा । जो कानून अब बनेगा उस में अगर हम कोस्टल ट्रेड इंडियन शिप्स के अलावा और किसी को नहीं देंगे तो आप के लिये १६, १७ लाख टन माल हो जायेगा ।

**श्री वृं० कृ० ढगे :** अभी तो आप थोड़ा ही माल उठाते हैं, तब क्या आप पूरा माल उठा सकेंगे ?

**सभापति महोदय :** अभी आप २ लाख टन माल उठाते हैं, लेकिन अगर हाथ का कानून में आप के लिए सारा कोस्टल ट्रेड रिजर्व कर दें तब १६ लाख टन माल उठाने में आप को कोई मुश्किल तो नहीं होगी ?

**श्री अशर :** नहीं ।

**श्री रघुनाथ सिंह :** आप ने यह कहा कि २ लाख टन अवरसीज ट्रेड इंडियन सेलिग वेसेल्स से होता है । मैं जानना चाहता हूँ कि अरब या पाकिस्तानी वेसेल्स जो हैं उन से कितना ट्रेड होता है ।

**श्री अशर :** २५ परसेन्ट हम लाते हैं, बाकी ७५ परसेन्ट वह लोग लाते हैं । २ लाख टन माल जो बाहर से आता है उसमें से २५ परसेन्ट हमारा होता है और ७५ परसेन्ट उन लोगों का ।

**श्री रघुनाथ सिंह :** मैं टोटल जानना चाहता हूँ । आप ने कुछ आंकड़े दिये कि जो हिन्दुस्तानी वेसेल्स अवरसीज जाते हैं वह २ लाख टन माल लाते हैं । इसमें से अरब और पाकिस्तानी वेसेलिग वेसेल्स के हाथ में कितना ट्रेड है ।

**श्री अशर :** इस दो लाख टन में से ५० हजार टन तो हमारा है बाकी १५०,००० टन उन लोगों का है ।

**श्री वृं० कृ० ढगे :** अगर हम यह कहें कि २ लाख टन सब का सब आप के वेसेल्स को दिया जाय तो आप का इस बारे में क्या विचार है ? दूसरी बात यह है कि अगर यह सब माल आप को ही दे दिया जाय तो क्या आप इतने सेलिग वेसेल्स निकाल सकेंगे कि इस तिजारत को अपने हाथ में ले सकें, और यह कितने साल में हो सकता है ?

**श्री अशर :** अगर हम को आप यह ट्रेड देते हैं तो हमारे सेलिग वेसेल्स पांच बरस के अन्दर इस काम को अपने हाथ में ले सकते हैं ।

**श्री नाथ पाई :** मैं पूछना चाहता हूँ कि अभी २५ परसेन्ट काम हमारे हाथ में है ।

७५ परसेंट फारेनर्स के हाथ में है। अगर इस कानून से यह सारा काम आप के हाथ में दे दें तो क्या आप के पास इतने जहाज हैं जो इस काम को कर सकें ?

श्री अक्षर : हमारे पास जहाज हैं। हमारे यहां लाइसेंस सिस्टम है। सेलिंग वेसेल्स के लिये ओ० जी० एल० का ऐडवॉन्टेज है। इस की तरफ गवर्नमेंट का ध्यान हमारे ऐसो-सिएशन ने दिया था कि इतना कह दिया जावे कि ओ० जी० एल० मोन्ली फार इंडियन वेसेल्स लागू हो जायेगा। इस से जो बाहरी वेसेल ७५ परसेंट माल ले कर आते हैं, वह बन्द हो जावेगा। अभी यहां पर ओ० जी० एल० पर ही माल आता है।

श्री रघुनाथ सिंह : जो बड़े बड़े स्टीम शिप्स होते हैं उनका कंवेन्शन तो ५०, ५० का है। जो और कंट्री के जहाज हैं वह ५० परसेंट लादें। अगर आप का जहाज जाय तो वह भी ५० परसेंट माल लादे। अगर यह ५०, ५० परसेंट हम कर दें, २५ परसेंट की जगह तो क्या हर्ज है ? हम ऐसा नियम बना दें ?

श्री अक्षर : वह आप कर सकते हैं।

श्री रघुनाथ सिंह : मान लीजिये कि आप का जहाज अरब में गया। अरब में आप का सामान जाय, वहां से सामान आप को मिल जाय और अरब से जो जहाज यहां आते हैं उन को यहां से सामान मिल जाय, अगर इस तरह से ५०, ५० सामान कर दिया जाय तो क्या हानि है ?

श्री अक्षर : कोई हानि नहीं है।

**Chairman:** He has experience about sailing vessels. He can give some definite information about it. It is needless to ask him about other things.

**Shri V. K. Dhage:** I shall explain it in English.

**Shri Oza:** If you can explain it in English, I shall translate it to him in Gujarati.

**Shri Dhage:** There is a certain amount of trade which is done by the Portuguese ships and the Pakistani ships which, according to him, is 75 per cent of the total tonnage; only 25 per cent is being done by the Indians. If we were to reserve the trade to be done only by the Indian vessels, is he prepared to meet the demand internally? That is my question. Now, this may be translated to him in Gujarati.

**Shri Raj Bahadur:** While the question is being translated to the witness, I may just invite the attention of members to clause 421 (1) (r) where we have rule making powers for reservation of particular commodities for the sailing vessels.

**Shri Oza:** The witness says that they have got sufficient tonnage to undertake the whole trade, 100 per cent. trade.

**Shri Nath Pai:** Then, why did he say "five years"?

**Shri Oza:** He says, if that facility is given the trade will be doubled and they would be expanding their tonnage accordingly.

**Shri V. K. Dhage:** If we do it, will it adversely affect the trade with India?

**Chairman:** Order, order. The proceedings are not going on properly. One member is interpreting the question to the witness, and I do not know whether the reporter is able to hear everything—at least other members are not able to follow what is being asked and what reply is being given. He has come here just to elucidate the points that he has made. He has elucidated all those points. Should we now ask from him his opinion about how much he can carry? He says he can carry the whole trade. I doubt very much whether it will be possible, having regard to the condition of the sailing vessels. How can they carry all the cargo? Therefore, whatever might be his opinion, we shall have to judge it in our own way.

Let us now call the other witnesses.

(The witness then withdrew.)

## II. The Company of Master Mariners of India, Bombay

*Spokesmen:*

Capt. C. Sankunni

Capt. S. B. Aga.

*(Witnesses were called in and they took their seats)*

**Chairman:** At the outset, I would like to make one thing clear. The evidence that you tender here are public, but if you like that any part of your evidence should be treated as confidential you shall indicate that to us. Even that portion, I may say, will certainly be available to Members of Parliament, only it will not be available to the people outside.

Now, you have submitted your Memorandum and have given us some details of amendments that you think should be made in this Bill. Could you let us know the important provisions of this Bill wherein you are very much interested and where you think that some amendments should be made? You have practically revised the whole definition chapter, and also touched upon as many as 100 sections. I take it that you are not very much interested in all the sections, but there are certain sections where you think that certain amendments are absolutely necessary. You may point out those sections of the Bill where you think that unless certain amendments are made as suggested by you the Bill will be incomplete or the Bill will not be very helpful.

**Capt. Aga:** Would it be possible, Sir, to glance through most of the others?

**Chairman:** We are pressed for time. I think it is better that we take up the important provisions first; you should only stress those provisions where you think that some amendments are absolutely necessary.

**Shri Akbar Ali Khan:** They should deal with those provisions which deal with the efficiency of officers.

**Chairman:** We want them to stress those matters in which they have personal experience.

**Capt. Aga:** With your permission, Sir, I may say that we are not particularly interested as from the point of view of shipowners, crew or labour; the whole thing is important to us. I am not sure if I am in a position to say that this is more important than that.

**Chairman:** The whole thing is important, no doubt. As I have already stated, we are short of time and we want to have the experience of different persons having actual experience in the line. We want to have your experience in regard to the provisions of this Bill, where you think that amendments are necessary in the light of your experience.

**Capt. Sankunni:** Kindly turn to page 3, Part IV of our Memorandum—certificates of officers—clause 67. The only addition that we would like to have is: "if the ship is a foreign-going ship of more than 3000 tons gross tonnage with at least two mates besides the master holding a certificate not lower than the first mate and second mate respectively". The reason for seeking this addition is that the shipping industry has already put this into effect many years ago, and we are only asking the Government to make that a law.

**Shri Raj Bahadur:** May I just point out that we have provided "at least one officer", and that means two are permitted.

**Capt. Sankunni:** We want to make it compulsory.

**Shri Raj Bahadur:** We should like to hear your reasons for that.

**Capt. Sankunni:** The modern ships are all manned by a captain, a mate, a second mate and a third mate. Every ship is like that, and the shipping industry has taken it upon themselves to man their ships properly with these number of certified officers. We are only asking the Government to make that a provision in the Act.

**Capt. Aga:** It will not be an extra hardship to the shipping companies because they are already doing like that.

**Shri Raj Bahadur:** Kindly see sub-clause (d) in the Bill, which says:

“if the ship is a foreign-going ship and carries more than one mate, then with the second mate duly certificated.”

**Capt. Sankunni:** Thereby you are leaving the thing on the shipowners. We want that it should be made compulsory.

**Shri Tangamani:** What is the advantage?

**Capt. Sankunni:** The advantage is that ships will be properly manned at all times; no ship can go out to sea with just a captain and a sea officer duly certified.

**Capt. Aga:** Once a ship goes to sea the ship is steaming all the 24 hours. The officers have to keep their eyes open. In the olden days when ships used to go with a captain and a chief mate they used to keep watch for four hours, be off for four hours and so on. That gives them no rest of any sort; they cannot get more than three hours sleep at a time. It used to tell on their health. Now that all ships carry not only a captain and a mate but also a second and third mate, they keep four hours on and eight hours off. When a man is keeping watch he has to be completely awake and be ready to carry out his duties. This is something which the shipping companies have already accepted. We only wish that this should be ratified.

**Capt. Sankunni:** We are only asking for two officers. A ship generally carries three or four officers. We would like a minimum of two officers in order to safeguard merchant ships running at high speed. When they come at a port, they are loading cargo at high speed.

**Shri R. P. Sinha:** The convention is that every ship carries three officers?

**Capt. Aga:** Only a captain and one officer are compulsory. But the convention is that there is a captain plus two officers—one chief officer and one second officer—for ships of more than 3,000 tons.

**Chairman:** What is your next point?

**Capt. Sankunni:** It is on clause 71. We have explained it clearly in our memorandum. I shall read it.

*(The relevant portion of the memorandum was read).*

One thing we should remember is that Britain is doing a lot of things due to sentimental reasons. As far as the navy is concerned, they are highly sentimental and I do not think there is any justification to provide the same provisions in our Act. They are working on the 1894 Act.

**Shri Tangamani:** In sub-clause (5), it is said:

“Notwithstanding anything contained in this section, the Central Government may, if it is of opinion that a person who is entitled to a certificate of service under this section is not a fit person to hold such certificate, refuse to grant or deliver such certificate to him.”

So, when you want more personnel, what is wrong in really getting hold of people who have that kind of experience?

**Capt. Sankunni:** They have not got that kind of experience. That is exactly our point.

**Shri Tangamani:** There is a provision which says that if he is not a fit person, the Government of India will not grant the certificate?

**Capt. Aga:** Take a young officer in the navy. He goes for training in shipping perhaps for two years. It is a land-based institution usually and then he goes to sea for two years of training in naval shipping. Then he becomes a sub-lieutenant. After that, within a year or two, depending on his seniority, he can become a lieutenant. That means

in five or six years' time, out of which only three or four are spent at sea on craft which have nothing whatever to do with merchant shipping. It is suggested that a person like that should be taken out of the navy and put on board a modern merchant ship, where the man would be completely lost. The rules for the examination of masters and mates for the merchant shipping service lay down a curriculum of various subjects. There is, for instance, a three-hour paper in knowledge of merchant ships, another three-hour paper on cargo loading and so on. The major part of the merchant navy is not navigating the ship. It is in carrying the cargo—loading cargo, safely carrying it and delivering it in the destination safely.

This means you are putting a man in a position of authority on a ship which he has never seen before, whereas a merchant navy man has to go on merchant ships for seven years dealing with cargo, before he can take the examination.

**Shri Radha Raman:** The witnesses have said that a lieutenant does not acquire the experience required by a person who masters the merchant ship. May I ask if anybody above the rank of a lieutenant has got that necessary experience?

**Capt. Aga:** When a man has stayed longer in the navy, he will get more and more experience in his own particular specialised line of work at which, I make bold to say, he will be second to none. You will have a captain, a commander, two lieutenant commanders and perhaps 6 to 8 lieutenants. These lieutenants are really junior officers on the ships and each one of them specialises in a particular line. One is a navigator and he is excellent in that work. One would be a gunnery man; one would be a torpedo man; one would be an anti-aircraft man and so on. Except the navigator, the others would be of no use in a merchant ship.

**Shri Radha Raman:** Suppose there is a situation where the merchant ship masters go on strike and the Government wants that the ships must continue. In that case, if we have men of this nature with certificates, even at small risk, they will be useful in certain emergencies.

**Capt. Aga:** But I should imagine that in the case of national emergencies like that, the Parliament or whoever is in authority would have the powers to make an ordinance on the spot to deal with the situation.

**Chairman:** Mr. Aga is talking of ordinary circumstances.

**Dr. Y. S. Parmar:** If he gets a certificate, does it mean that he must be employed on the merchant ship? They will take him only if he is needed. It is not going to be forced on him.

**Shri V. K. Dhage:** In your memorandum, you have tried to point out the difference between what the navy lieutenant knows and what a merchant mariner and you have said:

“A Naval Officer, while being an asset to the country on a Naval ship, will be unsuitable on a modern merchant vessel. A great deal of experience is necessary to acquire the knowledge of the complicated requirements for the stowage and carriage of specialised cargoes and to cope with the commercial obligations of a Ship Master today.”

What has shipping to do with the commercial side? He has to run the ship. That is all.

**Capt. Aga:** Running the ship is a very minor job. The Ship Master is generally in over-all charge. He has a second officer who does the navigation for him. But looking after the ship's welfare not only at sea while navigating, but also from port to port is the duty of the Ship Master. He should have full knowledge and experience in loading and unloading cargo at high speed. These are the commercial obligations which a Ship Master has to discharge.

**Shri V. K. Dhage:** I want you to explain how exactly a naval officer will be incompetent to look after these cargoes when he can look after the passengers. I do not seem to understand that. In the case of cargo there is only just loading and unloading.

**Capt. Aga:** I am afraid you are wrong. The passengers do not need any looking after. If you arrange for their food and other comforts it is enough. Apart from that, they do not need any looking after. In the case of cargo every single item of goods has to be gone through. The shipping officer has to scrutinise the list of cargo that is coming. He must have experience to know what cargo can be put in what part of the ship and in how much quantity can be put in each berth, how many pieces of a certain type of machinery of a certain wheel base can get into a particular section of the ship without depressing the stability of the ship and so on. A shipping master must have experience of all these things.

**Shri V. K. Dhage:** Then you seem to contradict yourself in your memorandum.

**Capt. Aga:** That is quite unlikely.

**Shri V. K. Dhage:** You have stated "We would, therefore, suggest that the maximum concession that may be granted to Indian naval officers should be limited to the condition required for appearing for the second-mate's certificate of competency only".

**Capt. Aga:** When a boy goes to the ship he is perhaps 16 to 18. He finishes four years at sea. That is taken as a sea job to appear for the first examination, viz. the second mate's certificate. What we are recommending is that the navy officers may be permitted to count the sea time in the navy so that they may sit for the examination only for the second-mate. Then he must take more time for sitting for the shipping mate's examination and still more time for the master's examination.

**Shri V. K. Dhage:** I do not understand what is provided there. It is stated that the navy officer is entitled to a 'certificate of service' as a master of a foreign-going ship without examination. Now it seems there is a difference between a 'certificate of service' and a 'certificate of competence'. If a person has received a 'certificate of service' and not a 'certificate of competence', does it mean that he is not competent? Supposing we give a 'certificate of service' and not a 'certificate of competence' then he may not be employed.

**Capt. Sankunni:** What is the harm if the naval officers make an attempt?

**Shri V. K. Dhage:** Your apprehension seems to be because of the provision in the law itself. It is not incumbent upon the owner of a ship to employ him on all kinds of ships.

**Capt. Aga:** But they may.

**Shrimati Savitri Nigam:** Don't you think that as merchant shipping and Indian Navy are the two arms of our Indian shipping they should have better co-operation instead of just having division by amending the clause in the way you have suggested?

**Capt. Aga:** We would be very glad not only to have co-operation but to treat them as our neighbour. We would be only too glad to learn their ways as they can learn our ways. They are two different types of jobs.

**Shrimati Savitri Nigam:** Don't you think those naval officers with so much experience would never like to sit for an examination or undergo any such tests?

**Capt. Aga:** A person never liking to sit for an examination is hardly the criterion for the ship owner who is only concerned with the proper running of the ship. May I point out that throughout the Merchant Shipping Bill great emphasis is laid on too small details? It says about the size of the buckets to be used, number of lights to be used, kinds of food to be supplied, *katari*

and utensils to be used and so on. All these details have been given a great deal of emphasis, and they are quite necessary. But when the ship owner goes to the trouble of complying with all these requirements, surely we owe it to the ship owner that the persons who will be certified to sail their ships are qualified to do so.

**Shrimati Savitri Nigam:** Don't you think that this sub-clause (4) of clause 71 is enough safeguard for inefficiency of such officers, if there may be any?

**Capt. Aga:** No, not at all; because, if a man has got a certificate of service, there is nothing to stop him from going to a ship.

**Shrimati Savitri Nigam:** It will be in the interest of the owners of those companies to see to it that the most efficient men are employed there, and the question of employing the naval officers will be entirely in the hands of the owners of the ships themselves. So they will be taking the best man.

**Capt. Aga:** I agree with you. It is quite true. But the potential employer will not know until too late whether they have employed a competent man or not.

**Shri Moolchand Jain:** Most of the important ship owners have appeared before this Committee and, since they have not raised any objection against this clause, may I know whether you have any other point besides this risk and trouble to owners?

**Capt. Aga:** The fact is that we as technical men will be responsible for sailing the ship.

**Shri Moolchand Jain:** No ship owner has raised this question. So I want to know from you if there is any other point besides the risk to the ship owners.

**Capt. Aga:** The risk is for the men who will be sailing on the ship and putting the cargo. There will be a major risk to the cargo and the insurance company.

**Shrimati Savitri Nigam:** Don't you think that the shipowners should have been more worried about this clause?

**Capt. Aga:** They probably think that they should not say anything, because it has been copied from the earlier Act.

**Shri Moolchand Jain:** You have cited the example of lieutenants working in different branches and stated that they should not be placed in charge of shipping. But clause (1) says "Lieutenant in the executive branch", not in the other branches.

**Capt. Aga:** There you need specialisation.

**Shri Raj Bahadur:** So far as the training part is concerned, barring the cargo handling aspect of it, don't you think that the rest of the training is up to the mark, so far as the technical side is concerned?

**Capt. Sankunni:** The jobs are entirely different. A man from the navy would not be suitable at all for the merchant shipping. I will tell you my experience. Very recently in Madras I met a man who has got a certificate of service. He is the master of a ship. But he is unable to manage the affairs of the ship and the whole cargo work is in the hands of the Chief Officer and the second officer, which is very undesirable.

**Shri Raj Bahadur:** But barring the handling of cargo, is it not up to the mark so far as the other aspects are concerned?

**Capt. Aga:** No. May I correct you on this? Apart from the cargo handling, which is not the only item, there are other items where it differs. In the navy a young man is taught extreme discipline, drills etc. At the same time, in the merchant service the same young man is going through more hard work.

**Shri Raj Bahadur:** I now come to my second question. Is it not a fact that quite a few of the naval officers have been trained at Dufferin?

**Capt. Aga:** Yes.

**Shri S. Sankunni:** But they branched out into different lines.

**Shri Raj Bahadur:** The D. G. tells me that in modern shipping the cargo handling is done on a mechanised basis so that there are no chances of mistakes.

**Capt. Aga:** I disagree.

**Dr. Nagendra Singh:** For instance, the India Steamship Company has got a machine which does the unloading.

**Capt. Aga:** That is a machine which has got to be operated. It has got to be understood. Then, only a few vessels have got it.

**Dr. Nagendra Singh:** Can't a naval officer understand the working of the machine?

**Capt. Aga:** He will never be able to visualize where the different loads are. Stability is the point there.

**Shri Raj Bahadur:** Then regarding examination, when a man does a work for a period of three to six months will he not learn it?

**Capt. Aga:** He will learn it.

**Capt. Sankunni:** What is the objection in appearing for the examination?

**Shri Raj Bahadur:** The same sentimental objection. They also think that they have enough experience and they have come up to the standard. Though they have passed no examinations they have done the work all these years. So they feel that asking them to sit for an examination is a blot on their self respect or dignity.

**Capt. Aga:** There can be no indignity in honest work.

**Shri Raj Bahadur:** It is all a question of outlook. Then, is it not a fact that we are very short of officers, because the merchant navy is developing, and so we want to draw more and more officers from the navy for that purpose?

**Capt. Aga:** At the same time, we want larger and larger number of officers in the navy. I think the time has come when we have to stop this particular source of recruitment.

**Capt. Sankunni:** Even without that we can develop very much better.

**Capt. Aga:** Now there is no recruitment that way.

**Shri S. K. Patil:** The law is permissive. If your experience shows that during the last 23 years nobody has come, then is there any justification for tightening that clause. For instance, in the navy people retire very early. Now, it is a permissive clause. If it is there, it may give a chance to the naval officer or lieutenant to come there, of course, only after retirement. They are experienced people, not raw hands. Then, for 23 years nobody has come. It is a permissive clause which was there all these years. Now is it likely to do any harm? Have you any objection on that point?

**Capt. Aga:** I am not a navy man myself. The naval officer attains some rank at the age of 35 or 45. If a person has to retire and he has not reached the rank, there must be some reason for it. I do not say that the man is necessarily incompetent.

**Shri S. K. Patil:** You have taken up only an incidental point. This clause has remained for 23 years or so. Why should you object to it when in actual practice nothing has happened to warrant a change? It is only in certain circumstances that these things may become necessary.

**Chairman:** This clause has remained so for all these years.

[Clause 92 (3)]

**Capt. Aga:** We have made out an additional memorandum which is being circulated to you separately.

**Capt. Sankunni:** The officer may conduct the preliminary enquiry and report to the Director-General of Shipping..



**Shri Raj Bahadur:** We have ourselves considered this question. We propose to move some amendments.

[Clause 120 (1)]

**Capt. Sankunni:** The seamen should not be held unnecessarily in the ports. If they have earned their pay, there should be no difficulty to pay them within two days.

**Chairman:** We shall examine that.

(Clause 177)

**Shri S. K. Patil:** We shall consider your views.

**Capt. Sankunni:** One of the seamen may go up to the officer and say that a particular ship is unseaworthy. Suppose the ship goes to Calcutta, a tidal port. The owner is to incur a loss at the rate of Rs. 10,000 daily. According to the Bill, as soon as such a complaint is received about the seaworthiness or otherwise of a ship, the Director General has to make an enquiry. The Director-General's office may take 3 or 4 days to finish such enquiries. The result is that the owners are put to considerable loss.

**Shri Tangamani:** This has nothing to do with the detention of the ship.

**Shri Raj Bahadur:** We shall check up this point.

**Capt. Aga:** This has appeared not only here, but in two or three other clauses also.

**Shri Raj Bahadur:** We say 'sufficient reasons'. Anybody can make a complaint if he has got a reasonable doubt that the ship is unseaworthy.

We shall examine this point.

**Capt. Sankunni:** Then, I would refer you to our remarks in page 5 on clause 317(3).

The practice so far has been that they check the dangerous goods that are carried on board the passenger ships to ensure the safety of passengers. According to the present Bill, they have extended this to the cargo ships as well. That is to say,  
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the surveyor will have to do the duties normally done by cargo superintendent. We feel that this is putting unnecessary burden on the Mercantile Marine Department.

**Capt. Aga:** The responsibility for the safe carriage and stowage of dangerous goods should primarily rest on the Master and owner of the vessel for which they earn freight. In no country is this responsibility taken over by the Government. It is a very big responsibility, if Government takes it.

**Shri Raj Bahadur:** This is only rule-making power and nothing else. The Central Government may make rules for regulating these things. The rules are to be followed by the owners. They are only to be made by the Government. Sub-clause (3) says only that they shall provide full information to the authorities concerned about the dangerous goods. The Government is not responsible for any thing; it does not say so.

**Capt. Sankunni:** That is all right. Then, I would refer you to our memorandum—page 6, clauses 359 to 362.

**Shri Raj Bahadur:** I shall give you the background for this provision. We are now independent and we have got to hold our own enquiry. Suppose our ship is in the territorial waters of any other country. Something happens to the ship or to somebody and an enquiry has got to be held. Then, witnesses have got to be called in; they may belong to that area; they may be foreign nationals. All types of complications may arise in case you hold an enquiry at home. Therefore, it is necessary to hold it there itself. We have got our own diplomatic officer who is the head of the marine board, assisted by two officers whom he may choose. The enquiry is held there and a decision is arrived at. For the sake of convenience and also achieving the purpose of the enquiry, it is very convenient.

**Capt. Aga:** This provision is acceptable if that decision is not final.

**Shri Akbar Ali Khan:** It must be subject to appeal to the Director General.

**Shri Raj Bahadur:** May I draw your attention to clause 363 (2) (b)? The Central Government may at any time, if it thinks the justice of the case so requires, revoke any order of cancellation....

**Shri Akbar Ali Khan:** Does it cover all these cases? Otherwise, it must be provided and it should be subject to the final decision.

**Shri Raj Bahadur:** The provision is clear. Sub-clause 2(b) covers it. In case the decision of the Marine Board is found to be unacceptable to a party, he has got a remedy.

**Shri Radha Raman:** How does the Central Government come in unless by appeal?

**Shri Raj Bahadur:** By representation. The Central Government can be moved by any application or it can even act *sue motu* if it thinks that the decision of the marine board is not fair.

**Capt. Sankunni:** Then, may I read out our Memorandum on clauses 435, 436 and 437?

**Shri Tangamani:** Before you go to that clause, would you refer to clause 416? It deals with sailing vessels. You say it is not advisable to bring the Marine Department. Can you just enlighten us the reason why you do not want it? Some question was raised earlier on this point.

**Capt. Sankunni:** The question of jettisoning would arise only when there is bad weather. If for jettisoning the cargo, you undertake an enquiry, you will never be able to prove whether there was bad weather or not. If you cannot prove that there was bad weather, what is the point in conducting an enquiry?

**Shri Tangamani:** Unless there is such a provision, will it not lead to abuse?

**Shri Sankunni:** Even to-day, there is a lot of abuse.

**Dr. Nagendra Singh:** If you do not have anything of this kind, it will lead to malpractices. In serious cases, we will hand over the matter to the police.

**Shri Tangamani:** Then, let us see his memorandum on clauses 435, 436 and 437.

**Capt. Sankunni:** Our remarks on the above clauses are given on pages 7-8.

**Shri Akbar Ali Khan:** This is again the rule making power given to the Central Government.

**Shri S. Sankunni:** In that case there was no point in this examination at all.

**Shri Raj Bahadur:** Sections 290 and 291 of our Indian Merchant Shipping Act of 1923 contain these provisions with the exception of a few words.

**Capt. Sankunni:** These provisions were considered necessary in the Act of 1923, but they are no longer necessary now because we have got a fully qualified survey department—the Government is only concerned with statutory survey.

**Shri Raj Bahadur:** So far we have depended for our survey only on the Lloyds or Bureau Veritas. I think it is necessary in the national interest to have some sort of an institution by which we can standardise the classification examination and procedure in this regard. I think it is an enabling measure. If at a later stage we find that it is no longer needed we may not exercise the powers; but it should be there so that we may have regular examinations, and there should be some agency through which some standards may be laid down.

**Capt. Aga:** Whereas in your clause 436 you do make a provision for Lloyd's Register of Shipping or Bureau Veritas, you further say "any other classification society". Are we visualising any other classification society?

**Shri Raj Bahadur:** It would be too much for me to say anything about that at this stage.

**Capt. Aga:** The American Bureau of Shipping are very keen. We are getting ships from Japan and Germany.

**Shri Raj Bahadur:** I can only say that the Government of Norway have approached us for this purpose. The Americans have also approached us. We are considering their requests.

**Capt. Aga:** That is with a request for the issuing of loadlines.

**Shri Raj Bahadur:** They want that we should recognise the loadlines recognised by them. On the contrary, we have said that they should have their particular organisations here in which our own surveyors should be represented.

**Capt. Aga:** The objection we are raising is that you have taken power to hold examinations and to exempt any person.

That is given in clause 436.

**Shri Raj Bahadur:** The proviso in clause 436 says:

"Provided that nothing herein contained shall prevent any person employed by Lloyd's Register of Shipping or Bureau Veritas or any other classification society specified by the Central Government in the Official Gazette in this behalf from discharging any of the duties of such employment or apply to any person specially exempted by the Central Government from the operation of this section."

According to the established convention and practice, we have recognised their surveyors and we think they are good enough to advise us in regard to loadlines etc.

**Capt. Aga:** You have exempted Lloyds and Bureau Veritas, and also "any other classification society".

**Shri Raj Bahadur:** We have kept it rather flexible.

**Capt. Aga:** We are getting ships from Germany, from Japan and from America.

**Shri S. K. Patil:** Lloyds is an internationally recognised authority even by those countries mentioned by you.

**Capt. Aga:** I take it that the exemption is for the carrying out of these statutory duties.

**Shri Akbar Ali Khan:** They are commercial surveyors.

**Capt. Sankunni:** Why should Government have to interfere with commercial surveyors? They have no functions under the Act at all.

**Capt. Aga:** Let them all sit in the examination.

**Shri Raj Bahadur:** His objection is to the portion "or apply to any person specially exempted by the Central Government from the operation of this section". We shall consider that.

**Shri Radha Raman:** Why not say: "such persons as are exempted"?

**Capt. Aga:** Let them all sit in the examination; why should there be exemptions?

**Shri Raj Bahadur:** He is agreeing to our making rules for the examination and also allowing established concerns and their qualified surveyors being exempted. His objection is to the inclusion of a third category "any other person".

**Shri Akbar Ali Khan:** That discretion may be abused.

**Shri Raj Bahadur:** We shall consider that objection.

**Capt. Aga:** In the note that we have sent to you today, we have clearly stated our point. We want the inclusion of a sub-section under item "distressed seamen". I do not think there is any need for me to explain those points.

*(The witnesses then withdrew)*

## APPENDIX

*A statement made by Smt. Sumatiben Morarjee, President, Indian National Steamship Owners' Association, at the oral evidence before the Joint Select Committee of the Parliament on 8th July, 1958.*

I would like to express my sincere thanks to the Members of the Select Committee for the opportunity which they have given to the Indian National Steamship Owners' Association to put forth their views on the Merchant Shipping Bill, 1958. The Indian National Steamship Owners' Association was formed in 1930. The membership consists of 13 Shipping Companies in the Private Sector owning as on 30th June, 1958, a tonnage of 548,197 GRT, or 97.3 per cent. of the tonnage in the Private Sector, which aggregates 560,134 GRT. The tonnage owned by the members of the Association comes to 86.6 per cent. of the entire tonnage of 630,786 GRT of all Indian Shipping Companies, in the Public and Private Sectors put together.

The aggregate paid-up Capital of the Member Companies came to Rs. 21.65 crores as on 1st April, 1958 and the aggregate cost of tonnage owned by Member Companies came to Rs. 56.19 crores as on that date. Detailed particulars of paid-up Capital of the Member Companies are given in Annexure II of Part II of our written Memorandum.

While I do not propose to repeat all that has been said in our Memorandum, I would like to make certain general observations.

At the outset I would like to point out that it would be very desirable to include in the Bill a statement laying down the objectives which the Government of India have in mind in connection with the National Shipping Policy; such a statement is rendered all the more necessary in view of the very significant observations made by the then Transport Minister and the State Minister of Shipping in the Lok Sabha.

As regards Part II, of the Bill dealing with General Administration, having regard to the very extensive powers which the Government have armed themselves with under the provisions of the Bill, these should be delegated to a compact body to be called the National Shipping Board as suggested in the Memorandum, and not to any individual officer. It would be as well to lay down precisely and in details the functions and responsibilities of the Board. I would also invite your attention to our views on certain provisions of the Bill, particularly clauses 64, 441 and 442 which appear to be discriminatory in character in the matter of ships owned by Government, quasi-Government autonomous or local bodies.

You will permit me to make a few observations on the subject of Clause 12 of the Bill at this stage. In view of the discussions on the question of participation of foreign capital in Indian Shipping at Ministerial level, just a few weeks prior to the introduction of the Bill in the Lok Sabha in its present form, it was a matter of no little surprise to us that Clause 12 as drafted should have found a place in the Bill. No reasons have been advanced for the very drastic reversal of the accepted Shipping Policy as now contemplated under this Clause. Comments have been made in certain interested quarters that the distrust that we have for foreign capital in Indian shipping is based on a hangover of the past. Those who seek to belittle the importance of the issues involved in this manner appear to have a scanty regard about the trials and tribulations which Indian National Shipping had to undergo for years together even in India's own home-waters as a result of the successive fights put up by the alien interests entrenched on the coasts of India itself.

While the Indian Shipping was on the same Register as British Shipping and it was denied its rightful place even in its home waters, it effectively cooperated with the Government in transporting a very large number of Indian Nationals from Burma and Pakistan under emergent situations.

There is thus a live and an ever present danger of non-Indian interests participating as from within in India's Maritime trades by means of ships which would be enabled to assume an Indian colour under the Clause 12. There is enough idle tonnage in the world today to snap at any trade that could be had to find suitable employment even under assumed national colours. Such non-National shipping as would find a place in the Indian Register would for ever remain like a mill-stone round our neck. Let it not be said that the Indian National Register was opened under this very important Bill and it made not too auspicious a start with registration of ships of "mixed blood" at a time when India's genuine national shipping expected the implementation of a bold and truly national policy in the development of our merchant marine.

It is estimated that inclusive of the steamers acquired against commitments made in the latter half of 1956 and those purchased by self-financing or deferred payment basis and also including those to be delivered by the end of the Second Plan against commitments already made, India's tonnage will reach 816,486 GRT. The tonnage required as per the target fixed for the Second Plan would be 900,000 GRT and a further 90,000 GRT will have to be provided to replace vessels to be sold or scrapped. There will thus remain a balance of 173,514 GRT to be acquired to make up the total of 990,000 GRT. Deducting the ships proposed to be ac-

quired against the Yen Loan—45,000 GRT and 3 further ships of about 18,000 GRT very recently acquired—the balance remaining to be acquired will be a little over 110,000 GRT. Deducting from this balance, the tonnage of two steamers, 18,818 GRT, for which India Steamship will be placing orders shortly, we will be short of just a little under 92,000 GRT to attain the target. This would roughly represent about 13|15 ships which would cost a maximum of Rs. 13|16 crores depending on the type of the ships to be acquired. Inasmuch as ships start earning foreign exchange the moment they are in commission, the Indian Shipowners propose that they should be allowed to utilise the foreign exchange earnings of the ships as are delivered after 31st March, 1956, which would roughly aggregate Rs. 18 crores; and there may not be any necessity to ask for any foreign exchange to reach the target if this request is conceded.

I may add that if the necessary finance could be obtained for the steel industry, airlines, railways and ports on a loan basis from foreign countries, there would be no point in bringing in foreign capital for the development of Indian shipping, on an equity basis. As far as Second Plan target is concerned, as stated above, it may not be necessary to go in for foreign capital if the suggestion made above is accepted.

Before I conclude, I would once again appeal to you to consider sympathetically the submissions made by my Association on this important issue and provide for such modification of the clause in the Bill as would retain the truly national character of India's Shipping which, as in the past, could always be at the service of the Nation.