

Then there is the other point raised, namely the question of the nationalisation of houses. This is a stupendous task and I am afraid it is not within the realm of practical politics. Still, as you know, we are dealing with the question of land with a view to transferring the ownership of land to the actual tillers. Even there we are meeting with some difficulties and the task has not been completed. So far as the nationalisation of houses is concerned, this House naturally will not expect us to confiscate all the houses and give them on rent or without any rent to the tenants. I might also point out, Sir, that in the second Five Year Plan, a sum of Rs. 84 crores has been provided for housing purposes. Naturally, we have to deal first with the slum clearance, with the houses for the refugees and such other persons and this amount would be extremely small even in respect of these things. The amount would not even touch the fringe of the problem. Under the circumstances, the question of nationalisation cannot be considered at this stage at all.

That is the reason why Government are anxious to give some reasonable but not very high inducements to private owners to construct buildings and to rent them out at reasonable rates. That is also the reason why Government have fixed a reasonable increase of 10 per cent. all round so far as clause 6 of the Delhi Rent Control Bill is concerned. It is open to the Joint Select Committee to go into all these questions and to come to proper decisions.

I, therefore, submit that the Motion that I have moved for appointing Members to the Joint Select Committee may kindly be accepted.

MR. CHAIRMAN: The question is:

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do join in the Joint Committee of the Houses on

the Bill to provide for the control of rents and evictions, and for the lease of vacant premises to Government, in certain areas in the Union territory of Delhi, and resolves that the following members of the Rajya Sabha be nominated to serve on the said Joint Committee:—

1. Shri Gopi Krishna Vijaivargiya.
2. Shrimati Ammu Swaminadhan.
3. Shri Deokinandan Narayan.
4. Dr. W. S. Barlingay.
5. Shri Awadeshwar Prasad Sinha.
6. Babu Gopinath Singh.
7. Shri Onkar Nath.
8. Shri A. Dharam Das.
9. Shri R. S. Doogar.
10. Dr. Raj Bahadur Gour.
11. Shri Faridul Haq Ansari.
12. Shri Anand Chand.
13. Shri Mulka Govinda Reddy.
14. Mirza Ahmed Ali.
15. Shri Govind Ballabh Pant."

The motion was adopted.

THE MERCHANT SHIPPING BILL, 1958

THE MINISTER OF TRANSPORT AND COMMUNICATIONS (SHRI S. K. PATIL): Mr. Chairman, I beg to move:

"That the Bill to foster the development and ensure the efficient maintenance of an Indian mercantile marine in a manner best suited to serve the national interests and for that purpose to establish a National Shipping Board and a Shipping Development Fund, to provide for the registration of Indian ships and generally to amend and consolidate the law relating to merchant shipping, as passed by the Lok Sabha, be taken into consideration."

[Shri S. K. Patil.]

Sir, this Bill marks a very significant and important epoch in our history because, for the first time after freedom, we are enacting a law by which we are bringing on the Indian register, our own national register, our own ships. Hitherto, for the last eleven years that we have been functioning as a free country, we had other laws, some of our own and some we had borrowed and adapted for our needs but this is the first time that free India is having on its register its own national shipping. It is a proud day for all of us because we shall elaim, as we did claim for all these centuries, that India is a maritime country and it has remained a maritime country, I do not know for how long, for how many centuries. Indian ships were roaming on the high seas for the past so many centuries and they will be roaming on the high seas in future carrying cargo both internal and import/export and possibly within five or ten years, we shall reach a position when we can truly call ourselves a maritime country.

SHRI H. P. SAKSENA (Uttar Pradesh): Amen.

MR. CHAIRMAN: He is blessing you.

SHRI S. K. PATIL: Thank you, Sir. I am very grateful to the hon. Member for those blessings.

I will place before the House only a few points which are really the highlights of this legislation. It is a very big Bill, containing 461 clauses; naturally any form of national shipping is going to be as lengthy as that but I am not going to take the time of the House by referring to many of the clauses of the Bill. I shall only refer to a few clauses which are very important and very significant. They do mark a very distinct change in our policy. One such thing is the National Shipping Board that, under the provisions of this Bill, is being created. There was a feeling in this country and a very natural feeling that our shipping policy, our national shipping

policy should be shared with the non-official and non-governmental opinion and advice. It was felt that it should not be only the Director General of Shipping who represents the Government, so far as this Bill is concerned, who should be responsible for our national policy but that, in the formulation of that policy, in the implementation of that policy, non-official opinion should be associated. With that object in view, although originally in the Bill, as it came before the Lok Sabha, such a provision did not exist, in pursuance of the persistent desire not only of the shipping interests but of the people of India, this provision for the first time has been introduced and thus will be created what is known as the National Shipping Board. This National Shipping Board shall consist of the following members, namely—there were originally five Members but now that number has been increased to six—six Members of Parliament, four from the Lok Sabha and two from the Rajya Sabha, and such other members not exceeding sixteen as the Central Government may think fit to appoint to the Board to represent the Central Government, the shipowners, the seamen and such other interests as in the opinion of the Central Government ought to be represented on this Board. Now, Sir, there will be six Members representing Parliament. We have not made the composition of the Board rigid because we are just making a beginning and, after we have had experience for two or three or five years, whenever this House feels that we have walked a long way in the formulation of the policy, then we can, if you want, have rigidity in the formation of this Board. We can have it then. For the present, we have said that apart from the six Members of Parliament, there will be members not exceeding sixteen in number. Therefore, the largest number, if we are going to include all the sixteen, will be 22. Here, Sir, some of the interests to be represented have been mentioned but not all of them. It has also been mentioned in the provisions of the Bill that the representatives of the seamen and ship-

owners shall be in equal number. There was an anxiety felt, and a very natural anxiety, that if there was weightage in favour of the ship-owners, it would really work harshly so far as the seamen are concerned and conversely, if we had seamen in abundant number, possibly it will not be in the larger interests of the shipping industry. Therefore, provision has been made that their number will be equal but we have not stipulated as to how many they will be, two or three or four or five. Similarly, also in respect of other interests, the number has not been mentioned because we do not know at this stage as to how many interests have got to be associated with the Board. For instance, there are the sailing ships, the passenger organisations and so on and so forth. Therefore, all these questions have got to be very carefully considered, especially by the yardstick of the experience that we shall be having and, therefore, this matter has been left at that. I would appeal to the House that it should remain at that for the time being because any rigidity introduced at this stage may result in some other consequences. For example, if we want some other interests to be represented on the Board at a later date, it will become difficult unless the Act is amended.

Another thing that we have said is that there would be a Chairman of this Board and that the Chairman will be from among the persons on the Board, these 22 members. There was a feeling which was very rightly expressed in the Joint Select Committee that this Chairman should be a non-official person but we do not want, by stipulating in the Bill itself, to disqualify the official members or to give the impression as if any representative of the Government has no authority whatsoever, no right whatsoever, to be the Chairman but, Sir, Government have given that assurance and I repeat that assurance on the floor of the House that the Chairman shall always be a non-official person. We do not want in the Bill to designate all our officers as being

completely debarred from being the Chairman if there is any such eventuality. There should be no legal ban on the officers but, as far as possible, as I said, we shall have as Chairman a non-official person.

SHRI P. N. SAPRU (Uttar Pradesh): First of all the hon. Minister said that the Chairman shall always be a non-official but then he modified that statement and said that he will, as far as possible, be a non-official. What is the correct position?

SHRI S. K. PATIL: So far as the legal position is concerned, the hon. Member is right. So far as the Government . . .

SHRI P. N. SAPRU: The hon. Minister just now said—his first sentence was that the Chairman shall always be a non-official; but his second sentence was that, as far as possible, he will always be a non-official. Now which is the position that Government takes?

SHRI S. K. PATIL: There is no contradiction in that, Sir. What I was telling was this that so far as the legal provision of this clause was concerned, Government officials also can be Chairmen. But it is the desire and the intention of the Government that generally and ordinarily a non-official will be appointed to that post.

SHRI V. K. DHAGE (Bombay): Shall I take it as the understanding that so far as the provision in the law is concerned that has not been banned, but in actual practice always it will be a non-official who will be the Chairman?

SHRI S. K. PATIL: Sir, we need not cut so fine as that. Hon. Members are well aware of it and we need not go beyond that . . .

MR. CHAIRMAN: Except in an emergency.

SHRI S. K. PATIL: Clause 5 provides as to what will be the functions of

[Shri S. K. Patil.]

this National Shipping Board. "The Board shall advise the Central Government—(a) on matters relating to Indian shipping, including the development thereof; and (b) on such other matters arising out of this Act as the Central Government may refer to it for advice." Now, Sir, these two are very wide powers because we have not stipulated them as 1, 2, 3, 4 because thereby we shall be circumventing that. By saying anything, which is the purpose of this Bill, the whole field of it is within the power of the National Shipping Board. That means that whatever action they take *suo motu*, that is their function, but in addition to that, if the Government at any time over and above this Bill suggests something, refers to them something for advice, etc., the Government also has the right to do so and have their advice, but our desire is that the whole range of national shipping, the policy and the implementation thereof, all recommendations or advice should proceed from the National Shipping Board. I am not going beyond that just at this stage because, as I said, this is just a beginning, that we are creating this National Shipping Board, and it is by experience of the day to day working that the Board has got to develop, but it is our sincere desire that so far as the policy of national shipping is concerned and the suggestions that are to be made from time to time, the Board is fully competent to make them. Therefore this is the field of activity that they have got.

Now, Sir, apart from the National Shipping Board another important thing that this Bill suggests is the creation of the Shipping Development Fund. Now, Sir, this is also a kind of provision which was really made even though absent in the old Bill. The House knows that Government were anxious for the last one year that they should create a non-lapsable fund of this description, namely, the National Shipping Fund, but it could

not be done in the absence of legislation and therefore we had a *pro forma* account, as they called it, for that purpose, but now, since we are enacting legislation and we are getting the opportunity of creating statutorily a fund of this description, this National Shipping Fund is coming into existence. To this Fund will be credited "(a) the amount of such grants as the Central Government may make for being credited to the Fund, (b) the amount of any loans advanced by the Central Government to the Committee constituted under section 15 for carrying out the objects of the Fund, (c) such sums of money as may, from time to time, be realised out of repayment of loans made from the Fund or from interest on loans or dividends from investments made from the Fund, and (d) such other sums as may be received for being credited to the Fund."

Now it has got a double advantage. One advantage is that it may not really appear something very big because we have not got a hundred crores of rupees or any such amount to be credited to the Fund. Here the beginning made is a very small one; it is just a beginning, and here we are creating statutory obligations on the part of the Government and—if I may say so—on the part of this Parliament—that from time to time moneys have got to be credited to this nation-building activity although today it may not be there. In the absence of this Fund possibly sometimes we needed money, but now it is your right and my right to ask Government or to expect from the Government at the time of the Budget, that some money, a substantial amount, would be credited year after year to this national development fund, and so this Shipping Development Fund has been created.

Then by far the most important provision of this Bill, the crux of the whole Bill if I may say so, is the provision governing registration of Indian ships. What is an Indian ship? On that quite a controversy but a very constructive controversy, Sir,—a con-

troversy the object of which is to make it so water-tight that we shall have a national shipping policy, as complete as we can make it,—was raised in the other House, but I can assure this House, Sir, that, so far as this definition of "Indian Ship" is concerned, we have been able to make it in such a way that not only there will be no ban on or impediment in the promotion or in the development of our national shipping but it will help us in building our national shipping. Shipping, Sir, is unlike other industries; it is a different thing; it is very vital indeed to the national interest and therefore it must not be compared with other things, any other industry that we create in this country, because shipping for every country, not merely for our country, is a vital thing. It has a vital position in times of emergency or war; it is a second line of defence, as they call it—not that necessarily these ships fight. They carry cargoes and this very life-line has got to be maintained, and therefore mercantile shipping really comes in. Sometimes they are used even for purposes of attacks. I am merely saying this because questions were raised and may be raised as to whether we are taking the necessary precautions to see, in times of emergency if the mercantile marine is to be used for purposes of war, not merely for carrying cargo but even for fighting, whether we are taking sufficient precautions for that eventuality. Now what is the precaution which the other countries take, because we are not the only country which are really building a mercantile marine? There are about a dozen countries which are really the countries known for their mercantile marine, and they have got a tonnage of more than one million, perhaps even more. Therefore the only thing that can be done so far as that part of it is concerned is to consult the Defence Department so that in times of emergency you must have the turrets, that the ships must be so constructed that if you want to mount guns on them they must be capable of holding the guns. Nobody really

builds turrets and launches guns and things of that kind unless such an emergency comes. All these precautions have been taken so that, as a second line of defence, apart from maintaining the lifeline of their having to carry the essential cargo or the essential supplies when there is a war, they can be used also for fighting purposes if the necessity arose. Therefore that part of it also has been guaranteed.

The other thing that came up in the discussion was to what shipping company Government would give money, for developmental and promotional activities, because we give loans. We have already given somewhere about Rs. 37 crores. That was the Plan provision in the Second Plan, loans to the various shipping companies. Now to what company do we give that loan? Is that a company in which foreign participation is so big that ultimately our loan will be to such companies and so on? I make this distinction just to point out as to how we have kept the ratio of foreign participation and what bearing it has on the promotional and developmental activities of our national shipping. So far as promotional activities are concerned—the giving of loans, etc.,—loans will be given only to such companies in which the Indian share-capital, the equity capital, shall be not less than 75 per cent, the management of it is wholly in Indian hands and the headquarters of that shipping company must be in India. That means that every precaution is taken to see that there is no foreign voice whatsoever in the management, etc. I am talking of promotional and developmental activities.

SHRI H. N. KUNZRU (Uttar Pradesh): May I put a question? How does he conclude that the management is wholly in the hands of Indian nationals?

SHRI S. K. PATIL: It is because we have countrywise provided in this clause that so far as equity capital is concerned—we have said that Indian capital must not be less than 75 per cent. Therefore so far as the

[Shri S. K. Patil.]

promotional and developmental activities are concerned, they are the concern of Government and there Government's policy is that we shall not give money for promotional and developmental purposes to those companies the management of which is not hundred per cent with us.

SHRI V. K. DHAGE: May I ask whether . . .

SHRI S. K. PATIL: Just let me explain. Here it is said: 'at least seventy-five per cent. of the share capital of the company is held by citizens of India'. I am reading from clause 21. Then it says: 'not less than three-fourths of the total number of directors of the company are citizens of India; the Chairman of the Board of Directors and the Managing Director, if any, of the company are citizens of India; the managing agents, if any, of the company are citizens of India or in any case where a company is the managing agent the company satisfies the requirements specified in sub-clauses (i), (ii), (iii) and (iv).' Now that is not in this. The hon. Mr. Kunzru is right when he says, 'how do I come to this?' This is what we have defined as to what an Indian ship would be but to whom we give loans is a matter that is really in the hands of the Government and we have taken a policy decision that so far as our loans are concerned they are to be given to companies which are wholly or one hundred per cent. Indian managed.

SHRI P. N. SAPRU: I want to know whether under the Constitution having regard to the article relating to equality this will be permissible, whether this discrimination is permissible.

SHRI S. K. PATIL: That is a point rightly made. I am relying on the 1947 Resolution under which we have been functioning so far. The position that I explained is of that Resolution that so far as promotional and developmental activities are concerned, we do not give any money to companies which are not one hundred per cent. Indian managed but now I am told I

can give loans since we have not made that provision.

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): Hitherto we have been understanding that the policy of the Government will be to advance loans to all concerns which are registered as Indian but now probably the whole policy is going to be slightly reversed.

SHRI S. K. PATIL: I was explaining to you that up till now there was a little distinction. There was an error and that is what I am correcting. Under the 1947 Resolution as I had been explaining we did not give any loans to companies which had anything to do with foreign participation and all that but now that distinction is being removed. Therefore I am correcting, on the enquiry that was made by Dr. Kunzru, that under this definition it is possible—unless the Government wants to take a different line because the loans and the development are not mentioned here but Government may not take it—as the provision of this Bill stands that even these companies are open to ask for loans and the Government is competent to give them because that distinction is being removed now.

SHRI H. N. KUNZRU: The Resolution of 1947 was passed before the Constitution of India was passed.

SHRI S. K. PATIL: That Resolution was really the governing Resolution for whatever we have done all these 11 years so far as shipping was concerned. Now, I need not act under that Resolution because we are now making a special statute.

SHRI P. N. SAPRU: May I just state that the point I wanted to make was that since 1947 the new Constitution has come into force? The new Constitution has got article 14 which prohibits discrimination between one concern and another because under article 14 not only legislative discrimination but administrative discrimination is also prohibited. Therefore how will you be able to make a distinction between concerns which have foreign capital and concerns which are purely Indian?

SHRI S. K. PATIL: We have made that distinction in other industrial things and probably this being a vital industry we have every right to make this distinction. And I could tell this House that so far as our experience goes, although on the statute such provisions may exist, they are not generally availed of. I can just tell you that in the United States if I mistake not, the capital reservation may be two thirds and one-third but in spite of that nobody may be really taking part in their equity capital. Such a clause is there everywhere.

SHRI H. N. KUNZRU: Is there no American capital invested in British ships?

SHRI S. K. PATIL: In Italian ships it is 51 and 49.

SHRI H. N. KUNZRU: The question has not been answered. Is there no American capital invested in British shipping companies?

SHRI S. K. PATIL: I have not mentioned British shipping companies here. I have no knowledge of them. But so far as Italy and U.S.A. are concerned—and I am doubtful about even the British and I shall find out whether there is any participation—I am merely saying that these are a kind of symbolic or notional provisions which are generally not availed of because in the national shipping countries do not encourage equity capital from outside and as I said the Government is fully competent to change this law because this is not like any other industry and whatever may be the reason our desire is that and we do not expect more than 25 per cent participation, if at all. That is what we have done here by saying that at least seventy-five per cent of the share capital of the company is held by citizens of India. Concern was expressed that unless there is foreign capital or foreign participation, possibly we may not be able to reach the target that we have set under the Plan, namely, 900,000 G.R.T. and

68 RSD—4.

many people thought that this percentage could be slightly increased—because there were amendments—to 60 and 40 or two-thirds and one-third and we could not accept those amendments for two reasons. Firstly there was no knowing—I am merely talking about the commercial aspect and not in relation to the national aspect—whether with even 60 and 40 the foreign capital would be coming. Even so far as this 75 and 25 is concerned during the last ten or eleven years nobody has come to take part in that 25 per cent, although it was open for anybody to come and take part in it.

Therefore suggestions have been made that if this 25 is slightly increased to 40 or so, there is a possibility of foreign capital coming in. But so far as my experience goes—and what the Government think is—really that is not the correct position. I believe the foreign capital will not come. But it is not a question of the coming or not coming of the foreign capital but it is a question of what should be our national policy, whether we do want foreign capital in the form of equity capital so far as shipping is concerned. And we feel that we do not expect and we do not want foreign participation in the form of equity capital so far as the development of our shipping is concerned. That does not mean that loans could not be taken or other arrangements could not be done, say, the barter system or charter system and so on could not be availed of. I am not talking about them. So far as foreign capital is concerned, we do not want to encourage it but the question may be asked, 'then why are you keeping it at 75 and 25?'. I suppose conventionally we have got to do it just as other maritime countries have done. So far as I am concerned and so far as the Government is concerned, there is no desire on our part that under that provision we expect any foreign participation even to that extent of 35 per cent. (*Interruptions.*) At the end of the speech if anything remains unanswered I shall surely yield the floor. Now, let me continue.

[Shri S. K. Patil.]
[MR. DEPUTY CHAIRMAN in the Chair.]

So far as the target is concerned, I have got the figures, but I do not want to take up the time of the House by going into details. I shall give the sum total of that. So far as this target of 9,00,000 G.R.T. is concerned, we have already reached some-where about more than 6,35,000 G.R.T. And with the ships that have been ordered by various companies and the Government on credit, our total tonnage comes to a little under 9,00,000 G.R.T. To be exact, it is only 1,20,000 G.R.T. less and that is what we have got to make good. To that I am adding another 40,000 G.R.T. because some ships will go in the meanwhile out of commission because of old age etc. That always happens; every year one or two ships, or even more, have got to be scrapped; it all depends on their age. Therefore in all the maximum that we require is 1,60,000 G.R.T. and I think there will be no difficulty for that within the next two years or more, that is, before the completion of the second Five Year Plan. We will have it from private resources or from public resources and there is no ban on taking loans. And we are, in fact, negotiating the loan. As I told the other House—I can share that information with this hon. House also—we had a loan—it means various proposals made so far as shipping is concerned—and a big loan offer from Japanese docks to the extent of about a hundred million dollars. We considered it and came to the conclusion that we do not need this loan, as big as that, one hundred million dollars. It comes to somewhere about Rs. 40 to Rs. 50 crores. Now, that would mean, if you build the new ships, that it would be somewhere about 40 to 50 ships. And I can repeat the arguments that I advanced there, briefly though, that it is not that because there is money and the ships come tomorrow we have got every other thing ready—staff for servicing those ships, to man those ships, captains, mates that you require, the

personnel, the technical knowhow, etc. in a big way. We have got them, but not in a big way. Therefore, the shipping has got to go, even the development and the progress of it, in a natural, evolutionary way.

Tomorrow if anybody asks me as to how many ships can you really supply in the next one or two years, the answer will be not more than ten or twenty. After all you cannot have all foreigners to run your ships. Also, if you do not want foreign capital, surely foreign personnel do not make national shipping. For some time, for technical reasons you may take their advice, just as we have got today. But that is a different matter. But increasingly and progressively our policy is that our ships must be manned by our own men, that is, in those ships right from the beginning, from the captain to the lowest man, as far as possible one hundred per cent of the seamen must be Indians. Therefore, even if anybody gives a large loan, it is not possible for us immediately to go in for this shipping. Now, when I mentioned those Rs. 50 crores and 50 ships, really speaking it is not 50 ships. You can have even 150 ships, because you do not give 100 per cent to a ship as soon as you buy. You only pay 20 per cent. Therefore, it is five times more. You can have even 200 ships at that, which we do not require. Even in responding to that loan we said: We do not want 100 million. We want only 25 million dollars because that will really make about 40 or 50 ships, as I said, in Rs. 12½ crores and five times more because we pay only 20 per cent. The ship is a foreign exchange earner right from the day it is launched. Therefore, there is no difficulty. We have not processed that loan. I am not telling that because of a big loan programme just now in England, America and those five countries. This is an independent thing. It has nothing to do with Government. I am merely suggesting the possibility that if we want a loan for the purpose of building our ships in order that the target of 900 thousand G.R.T. would

be completed, for that purpose we do not want any equity capital at all. Therefore, people should not be under a misapprehension that unless the equity capital or a larger foreign participation comes, our shipping programme cannot go forward or our target of 900 thousand tons could not be reached. Therefore, we rightly came to the conclusion that shipping is not a business of a day or two. We have got to look to the future also. Our foreign exchange difficulties may be there today. They are temporary difficulties according to me and temporary difficulties must not so dishearten us to the point that right from the beginning we allow the equity capital of foreigners in a big way, so that there would be difficulty afterwards in order to remove that equity capital out of our national shipping. And, therefore, the decision has been taken that it should be so. So far as this particular clause is concerned, we have done that. Lok Sabha has added another amendment to that, which has now been accepted and it is in my view a good amendment, because these are transitional days, the period through which we are passing. Sometimes we have got to make decisions and very quick decisions. It may not be possible for us to come to this House to change the Act, etc. It does take some time. Therefore, for a certain period, until we gather experience and really we are out of the woods in which we are today, it was thought that in the fitness of things Government should have power that if they want to change or alter this ratio, in order that the national shipping should not come into difficulty, Government should be competent to do that. This is in consonance with the policy resolution of 1947. Even there where 75 per cent and 25 per cent were stipulated, there was a proviso that in case Government found that it was necessary in the national interest, to make a little alteration in the Act, we were able to do that. In a case we did that—33 1/3 per cent. and 66 2/3 per cent, etc. The Government did not think originally that it was neces-

sary that Government should be armed with such a provision. But many people thought and thought also in the larger interest of national shipping that for some time, till we are out of the woods—although democratically it may not be a right provision Government should be empowered with a power like that. But looking to the times through which we are going and our difficulty for the time being, the provision will not do any harm. If, in fact, we find that the provision is unnecessary, we can delete the provision when the time arises, as early as we can.

Then, Sir, . . .

SHRI H. N. KUNZRU: May I ask clarification of one point? Am I right in supposing that some of the speeches made by the hon. Minister during the debate on this Bill in the other House created the impression that in spite of this amendment, it was not his desire in any circumstances to allow the participation of foreign capital to an extent higher than 25 per cent?

SHRI S. K. PATIL: The question was asked, because so far as that proviso is concerned, the proviso cuts both ways. When you give permission to Government, it is a permission so that you can increase the foreign participation, but you can decrease also the foreign participation. And I said and I repeat that here, if it is left to me as Minister-in-charge I would rather decrease it than increase.

SHRI P. S. RAJAGOPAL NAIDU (Madras): Why it is so?

SHRI S. K. PATIL: Because here in this House or in the other House if the Members in their collective wisdom come to a solution, I value it as more important than my individual discretion in the matter. So far as I am concerned, I feel that there is no difficulty whatsoever in reaching this target. In fact, I went further and stated—and I repeat it here—that I am not satisfied with this 900 thousand tons target. I feel that within the

[Shri S. K. Patil.]

next ten or fifteen years we must reach a target of 2½ million G.R.T. That will not cover hundred per cent of our needs, but it will largely cover our needs for a long time to come. The capital is necessary no doubt, but that capital need not be in the form of equity capital in which the participation of the foreigners comes here. For that purpose loans, either internal loans or outside loans, have got to be taken. Internal loan question does not arise, because they can as well participate, because that is our Indian capital.

SHRI H. N. KUNZRU: The hon. Minister was explaining to us the provisions of the proviso, the meaning of the proviso that was passed in the other House. I mean proviso to clause 21 . . .

SHRI S. K. PATIL: I shall read it.

SHRI H. N. KUNZRU: May I say that proviso relates to equity capital only and not to loans or any other thing and it was this provision that the hon. Minister was explaining?

SHRI S. K. PATIL: Yes. That is about equity capital. That proviso reads:—

“Provided that the Central Government may, by notification in the Official Gazette, alter such minimum percentage, and where the minimum percentage is so altered, the altered percentage shall, as from the date of the notification, be deemed to be substituted for the percentage specified in this clause;”

That is the legal language. The meaning of it is this that under that proviso it is possible for the Government to accept a higher percentage or a lower percentage of foreign capital. And, therefore, what I said, and which I repeat here is so far as my consideration of it goes, I feel that it is unnecessary to have the larger foreign participation. But that does not mean, as in the other case of the official chairman and the non-official chairman, the Government is

competent to increase that percentage or to lower that percentage, and in argument I said that our present intention is that we need not go for really increasing that percentage. But it was felt that we are passing through times where it might become necessary, even in one eventuality, one in a hundred cases or a thousand cases, that such a power should exist so that any negotiations that we may carry on with anybody need not go wrong because some such provision was not there. Therefore, we have accepted that provision so far as that part of it goes.

That brings me to the last provision, because I have taken some time and that is about the seamen. Now, I can assure the House that this Bill, however big it is, is not really expected, being the very first Bill, to deal with every question in its entirety. It is not a comprehensive document so far as many things are concerned. So far as the conditions of seamen in this country are concerned, really speaking, they are not exactly hundred per cent what they should be. We have got to increase not only their welfare, but their efficiency and their technical knowledge. They must be brought in line with some of the most progressive countries. Therefore this subject has got to be very exhaustively dealt with, and therefore any suggestion to deal with it piecemeal will have no meaning. We have done something in a big way. We have brought together all practices because consolidation of the old Acts is one of the objects of the present Bill. We have done that. But so far as that part of it is concerned, I can assure the House that after the experience that we gain, after the functioning of the National Shipping Board for some time, naturally new ideas will come, new suggestions will come. In the light of those suggestions and experience that we shall be getting, the conditions of the seamen have got to be very properly diagnosed and considered and remedies have got to be found out, and there will be an amendment of the Act whenever the time becomes

ripe for that. I began with this apology for the simple reason that if anybody gets up and says that the last thing regarding the seamen should have been included, it could not be done because it is just a beginning that we are making.

These are some of the provisions of the Bill. I do not want to take the time of the House. But I can assure the House that so far as the Government are concerned, we are very keen that the national shipping of this country, the merchantile marine, must increase and must gain a rapid progress. If there are limitations in our way—there are limitations which everybody knows, and everybody knows why they are there—it should be the joint endeavour of all of us, the Government and everybody in this country, to remove those limitations, so that we shall be in a position to regain that position which India had retained for centuries and which was lost during the last hundred years. We shall regain that position once again and we shall be a very strong maritime country as we had been.

Sir, with this hope, I now request that this Bill be taken into consideration.

PANDIT S. S. N. TANKHA: Sir, I want to ask one question by way of clarification from the hon. Minister. From his speech today I find that he is not eager for foreign participation in shipping. But from his speeches made in the other House, I noticed that he was eager that foreign participation should be invited in the shipping concerns also, and from that point of view he was prepared to allow foreign capital to the extent of 49 per cent and Indian capital to the extent of 51 per cent, and that he was prepared for it by way of amendment to clause 21. But that is not his position today. May I know how it is so?

SHRI S. K. PATIL: I think the hon. Member seems to be entirely wrong. That was never my position here, there or anywhere.

MR. DEPUTY CHAIRMAN: Motion moved:

“That the Bill to foster the development and ensure the efficient maintenance of an Indian merchantile marine in a manner best suited to serve the national interests and for that purpose to establish a National Shipping Board and a Shipping Development Fund, to provide for the registration of Indian ships and generally to amend and consolidate the law relating to merchant shipping, as passed by the Lok Sabha, be taken into consideration.”

I have before me eighteen names. So we may have to sit through the lunch hour today or tomorrow.

HON. MEMBERS: Tomorrow.

SHRI AMOLAKH CHAND (Uttar Pradesh): Sir, I would like to speak on this Bill. You may take my name as the nineteenth if it is not there.

SHRI H. P. SAKSENA: Sir, I also want to participate in the discussion.

MR. DEPUTY CHAIRMAN: Those who are anxious to speak may send their names. Mr. Dhage.

SHRI V. K. DHAGE: Mr. Deputy Chairman, I must say at the very outset that I generally support the provisions of the Bill, and I should also say that there has been a great improvement in the Bill as presented to the House, then as reported by the Select Committee, and as it has emerged from the Lok Sabha. One important thing that was introduced in the Select Committee was the Preamble to the Bill which laid down as to what the shipping policy should be. Another thing, as has been pointed out by the Minister, is the creation of a Shipping Fund for the improvement and fostering of the shipping industry. The third thing that has been done is the creation of a Shipping Board for the control and management of the Shipping trade. Then, the fourth thing that has been done in

[Shri V. K. Dhage.]

the Select Committee, and, which has been approved by the Lok Sabha, is the provision that has been made for the welfare of the seamen. I must say, Sir, that at the Select Committee stage, both the Minister and the Deputy Minister have also been very responsive to the criticisms and the views that have been expressed, and they have been responsive to the opinions that were expressed thereat. I compliment them for having done so.

Sir, having listened to the speech of the Minister just now, I think, he has explained the position with regard to the definition of an Indian ship. In the Bill that was introduced in the House, it was a definition which wanted foreign participation. In fact, in the companies' management of the ships, the foreign participation could be completed. The capital of a company could be one hundred per cent foreign. But when it came to the Select Committee, there was a criticism and the witnesses who appeared before us expressed the view that this was not a very desirable thing. At that stage, the Select Committee accepted a proposition which envisaged the individual ownership of a ship to be in the hands of an Indian citizen. But when it came to the participation of foreign capital, it was limited to 25 per cent. That, I think, was an improvement, but from that the Minister has changed his position again, and in the Lok Sabha he has accepted a provision which says that, as he explained just now, the foreign participation could be less than 25 per cent and yet it could also be 49 per cent. I do not know whether the legal explanation on a reading of the clause will be such as to say that it will be 49 per cent only. I am not quite sure about the position. It can be more than 49 per cent. If you speak in terms of the foreign capital being in a minority, it may be up to 49 per cent. But I have my doubt.

SHRI S. K. PATIL: May I interrupt, although I do not want to hold up the

discussion? Although that provision has been passed, the other part of that particular clause, namely the percentage, that is, three-fourths of the Directors, remains the same. Therefore, you can draw any meaning out of that. That part has not been altered by the amendment or the proviso that has been introduced.

SHRI V. K. DHAGE: My position is that I am not in favour of any foreign participation whether in the capital or in the management. If the State cannot enter into the trade of shipping themselves and own the entire ship themselves and ply the ship as they are doing in certain routes—I think the management and control and the proprietorship of the ships should be entirely Indian.

Sir, I will read out to you, what has been the policy of the Government of India when they passed the resolution in 1947: the policy resolution read as follows:

"The Government of India agree that the definition of "Indian Shipping" as shipping owned, controlled and managed by Indian nationals, as recommended by the majority of the members of the Committee, would be the ideal one and should be the ultimate objective."

They went on further to say—

"A rigid application of this definition, however, would exclude some important shipping companies in India simply because an insignificant portion of their shares is held by non-Indians. The Government of India have accordingly come to the conclusion that in present conditions the criteria to be specified by companies to qualify them for treatment at Indian Shipping Companies should be as follows:—

The steamers of the company should be registered at a port or ports in British India;"

1 P.M.

"At least 75 per cent. of the shares and debentures of the com-

panies should be held by Indians in their own right;

All the Directors should be Indians; and The Managing Agents, if any, should be Indians."

MR. DEPUTY CHAIRMAN: You can continue after lunch. In view of the fact that more names are coming in, I think we should cut down the lunch-hour. The House will meet at 2.00 P.M. instead of at 2.30 P.M.

The House adjourned for lunch at one of the clock.

The House reassembled after lunch at two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

SHRI V. K. DHAGE: Sir, before we rose for the lunch, I was reading out the Resolution that was passed by the Government of India and in that I had pointed out that the ideal which had been laid down was that it should be 100 per cent. Indian capital. But they had also pointed out that, with the conditions that existed at that time, they had wanted the capital to be 75 per cent. Indian at least. There was a necessity at that time when the Resolution was passed because it was the time of the partition and the companies that existed at that time had certain shareholders who were Burmese as well as Pakistani citizens. In order to be able to meet that eventuality, they had laid down these restrictions at that time. But this policy itself made it very clear in the Resolution, as follows:

"Any share allotted to the British in ownership, control or management of Indian shipping will not only militate against the growth of national shipping, but it will also further strengthen the hold of British Shipping over India's maritime trades, exercised in future from within the country instead of as at present from across the seas. We have, therefore, no hesitation in laying down that the term "INDIAN SHIPPING" should denote shipping

owned, controlled and managed by the nationals of India. We are of the opinion that this is a matter of vital importance and the definition we recommend has been arrived at after giving very careful consideration and thought to India's economic needs, security requirements and strategic position."

This was the reason why this Resolution was passed. But we have now finished eleven years after this Resolution and the necessities, which they pointed out at that time, are no longer in existence. I am in favour of the shipping being owned entirely by Indian capital. Many of the experts who have been in this line,—not those from the extremists on this side, but who have been in the Government before—no less a person than Sir Ramaswamy Mudaliar or Mr. Master who represents the Government of India at many of the Shipping Conferences or also Mr. Bhabha who was once a Member of the Cabinet, after independence . . .

SHRI H. P. SAKSENA: During the time of the British.

SHRI V. K. DHAGE: During the time of the British people, and also after that time. Mr. Bhabha was not a Member of the Executive Council, but he was a member of the National Government. I shall quote what he has to say in the matter. They clearly point out the dangers that are inherent in inviting foreign capital. Sir Ramaswamy Mudaliar says:

"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

[Shri V. K. Dhage.]

will not be able to do for several decades to come, to influence adequately the decisions of the various powerful Liners' Conferences 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 dis-established as the Church was dis-established out of the country is to create such a powerful independent private shipping 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."

This is the view expressed by Sir Ramaswamy Mudaliar and he is very clear as to what he wants—he wants that the Indian Shipping should be owned entirely by Indians themselves.

I will also read out what Mr. M. A. Master has clearly said:

"As I have already stated, it will be suicidal for India to make the new experiment of inviting foreigners to build up future navy of this country, in the misguided belief that they will act in times of peace, particularly in times of war, like the nationals of the country in all vital matters which affect the economy, the security and the strategy of India, and in creating conditions which will enable her to build up her maritime position and prestige as one of the important sea-powers of the world."

I would also quote what Mr. Bhabha who appeared before the Select Committee and gave his evidence said. The evidence has been published in a book which has been circulated to Members of Parliament. He points out the dangers which are inherent in inviting foreign capital. He gives his

experiences from the associations that he has had with the various companies:

"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."

He points out that he was associated with a certain company which has been functioning in India and has also pointed out the various ways in which this company tried to flout the interests of the nationals. They were charging commission in very many respects. They were having their own directors on the company. If repairs are to be carried out to ships, they would do them in a manner in which our nationals do not benefit. But the greatest danger that he pointed out was this:

"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...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."

The officer that will be employed by the company will be having such a power that he can do anything he likes:

"So, if we inject the foreign capital into any organisation, the result will be that they are bound to bring forward their own techni-

cal men....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."

This is the view expressed by Shri Bhabha.

It has been pointed out that, if we are to have the entire shipping industry owned by Indians, there is the difficulty of foreign exchange and that difficulty cannot be met unless and until we have some course to resort to. This difficulty was pointed out in the Select Committee and all the witnesses who appeared before the Select Committee pointed out that, in spite of the difficulty, if the Government of India were to co-operate with them, it would be overcome by them. They pointed out, "If you leave it to the business men, they will be able to manage, provided the Government of India gives them certain facilities. They will be able to arrange foreign exchange on their own."

When asked, Shri Ramaswami Mudaliar pointed out as to how, in what manner, they would be able to raise foreign exchange for the purpose of shipping. He stated that they could enter into arrangement on a deferred payment basis provided 25 per cent. of the value of the ship is given to the owners.

AN HON. MEMBER: On what page?

SHRI V. K. DHAGE: On page 38. Then the Chairman had asked:

"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."

This is a very important thing that he said:

"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 of that."

This is the proposition which has been made by no less a person than Shri Mudaliar who is a Member of this House and who says that if we leave it to them, we will be able to have 100 per cent. Indian tonnage in shipping. Not only this, but they also pointed out that if the Government were to give a certain facility to them with regard to certain payments, then they would be able to bring about the entire ownership of the shipping industry. Mr. Master, who appeared before the Select Committee was asked a question, because in their memorandum they had stated that 30 crores of rupees are paid for foreign exchange for importing food from abroad. If the Government of India were to help and arrive at an arrangement with the shipping industry, they will probably be able to arrange it in such a manner that the foreign exchange need not be separately allocated for them for buying ships.

The question was asked:

"I would invite your attention to page 23, paragraph 51. There you refer to foodgrains etc. How do you realize foreign exchange. I want you to make it clear."

The reply of Mr. Master is as follows:

"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

[Shri V. K. Dhage.]

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 straightway 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 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."

This is the proposition which practical business men have made and therefore I don't see why the Government of India should change its attitude. However much the hon. Minister may say that while the law exists with regard to 75 per cent., and while the provision has been inserted by the Lok Sabha to say that it would be 49 per cent. still in practice nothing is going to be done. I don't understand why the Government should take upon themselves the idea of saying 'Let some foreign capital be invited' when their intentions are that they would not like to invite them. I don't understand why this contradiction should be there.

There was another point brought out before the Select Committee by these very experienced men who have been running the shipping industry in this country for the last 20 years. They said that if the Government of India was to approach certain World organisations like the World Bank for

raising loans for the steel industry and other industries, they could as well approach the World Bank for this purpose and they would be able to get some loans from them for the shipping industry. I would like to read from the Evidence but there is no time for me now. I would like to say that if the Government of India were to cooperate with our own nationals and evolve a scheme, I don't think it will be necessary for us to invite any foreign capital however much one may feel that it is necessary for the purpose.

MR. DEPUTY CHAIRMAN: Mr. Govinda Reddy. There are 18 speakers on the Congress side. We have 165 minutes. I would request hon. Members to be brief.

SHRI M. GOVINDA REDDY (Mysore): Sir, in according my support to this Bill, I wish to congratulate the hon. Minister for the lucid way in which he placed the Bill before us. He showed us that he has a grip over the facts and he spoke for a good length of the time very convincingly. He referred to the way in which this has been a land-mark in the history of our maritime law. There were different laws, as he said, laws some of which had been passed by the British Parliament when the British were here and which we adopted after we attained independence and some of which had been passed by our own Legislatures. All of them have been now codified into one law and this has been a very good effort on the part of the Government. In fact several attempts were made to codify the law but unfortunately owing to our difficulties about the British interests, we were not able to do that. So it has been the good fortune of this Minister to have for the first time, codified all maritime laws and then placed the maritime history on its way to glory. He has also referred to the glorious traditions we had in the past in our maritime traditions. This House knows very well how Dr. Radha Kumud Mookerjee, who was our colleague, gave us an

account of the glorious achievements of our maritime forces in the past. I only hope that with this new codification of the law we will re-live that glory and as the hon. Minister said, regain our old position. He was pleased to refer to the most important provisions. There have been many salutary provisions out of which two are very important and I would like to refer to them and one is regarding the National Shipping Board. I must congratulate the Government for having very broadly thought of making this provision, for all interests and particularly the non-official element. I must thank him for having given a very good representation to the Parliament, or Members of both the Houses. As he said, the Government could not be very rigid in forming this Committee because by gaining the experience in the field, it should be possible to alter the provisions of this so that Government should have the necessary discretion to give representation to other interests if it comes to believe that their representation is necessary. For instance he referred to a very pertinent point, namely, the representation due to sailing vessels. We have a very large trade on the coast, trade carried on by the sailing vessels. It would be in the fitness of things that due representation should be given to those who are engaged in the coastal trade in sailing vessels. There may be other factors too. So I heartily agree with the statement that this could not be made very rigid, that the Government have reserved the power to themselves to give representation in the light of experience of the working of this Act. The other point deserving consideration is the starting of the development fund. Now, in view of the policy enunciated by the Government since 1947, the Government have been very seriously considering the shortage of our tonnage. We have been spending foreign exchange from Rs. 150 to Rs. 200 crores every year and it should be the earnest endeavour of the Government to save this foreign exchange. Apart from that, as the Minister has remarked, it is

the second line of defence in the country. So one should be able to fall back upon a supplementary source in times of need, and the merchant ships would certainly serve such a purpose in case of need. Therefore, it has been the earnest endeavour of the Government to encourage increase in tonnage owned by Indians. Therefore, I welcome that provision. Probably it will go a long time before we can add up to the Indian tonnage and to bring it to the 2 million tons target, at least by 1966 as has been now visualised.

The most controversial clause, as the hon. Minister was saying, is this clause 21. When I first read it and when I went through the evidence also and also the Minister's interruptions during the Select Committee discussions, I was not very sure that the Government had adopted as an absolute fact that it should be cent percent national. In consonance with the policy laid down, or the policy visualised by the Reconstruction Policy Sub-Committee, they have now made this provision. Today he was categorical, that their object is to see that the tonnage should all be owned by Indians, and operated by Indians. It is a matter of pride to any Indian that we come to have a tonnage of our own, that we come to have ships going over the high seas, ships owned by Indians and managed by Indians and naturally nobody can take exception to that. But if that were the policy of the Government, I would like to know where was the need for this clause 21 here. The essential elements of this clause are these. A ship is to be declared to be in the Register as an Indian ship if it is owned by individuals, who are Indian citizens, and if it is owned by a company, then at least seventy-five per cent of its share capital should be held by Indians, and three-fourths of the directors of the company should be Indians and the Chairman or the Managing Director must be Indian and if a company is

[Shri M. Govinda Reddy.]

a managing agent, it must have Indian owned majority equity shares. And the company must be formed with Indian capital. Similarly there should be Indian majority in the directors, at least to the extent of three-fourths. These are the essential conditions. If one carefully examines these conditions, it will be difficult to conceive of any foreign capital coming here, to be subject to these conditions. It is impossible, for all such people as would come in would come in only if they stand to gain by participating here. Most of those who can afford to participate by investing capital in Indian shipping concerns are people of States which are themselves advanced in shipping and therefore, there is no possibility of any advanced State coming and participating in Indian shipping under these terms. When that is the case or when that is the probability or likelihood, where was the need for providing this clause at all? I can understand one position which some of the witnesses in the evidence before the Select Committee have made clear, that the object of this clause was not to invite participation of foreign capital but to cover the existing fact, namely that there were some companies which were owned by the Britishers, by foreigners and which are registered here as Indian concerns, but they are run by them. An example is the Moghal Lines. That has been instanced in the evidence and therefore, some provision had to be made for the running of these companies in *status quo*. I can understand that position. But if some provision had to be made in the case of such concerns, which were not entirely owned by Indians, to be registered and to continue to function as Indian ships, then an exception could have been made in their case, and we could have enunciated a national policy that cent per cent capital should be Indian. But it is provided in this clause that 25 per cent, can be foreign capital, though the Government have the power to alter this percentage. They

could have said that a ship would be registered as Indian only if it was owned cent per cent. by Indians and if all the directors were Indians and if the Managing Agent or the Managing Director was Indian. I can understand that position. If the intentions of the Government were to see that an absolutely cent per cent nationalist policy was to be adopted here, then nothing prevented them from incorporating this in this Bill. Clause 21 brings in an arrangement which in my opinion, goes against it, or at least there is a doubt raised upon the cent per cent national policy objective of the Government. I have shown that no foreign concern can come in. I have also shown that if the Government intends this to be a cent per cent national policy, then they should have made exception for the existing concerns in the interests of which they seem to have brought in this clause here.

The most important question, in my opinion which has to be considered in this connection is this. Now that we need Indian tonnage, how far can we go to provide the adequate tonnage within a reasonable time. The other question would be, whether the existing shipping companies can provide that tonnage. Sir, everyone in this House would be glad if we could get by inviting Indian capital all the required tonnage, or if we could see the possibility of the existing shipping companies extending their tonnage within a reasonable time, without any risk to Government's money. In this I have a genuine doubt, not that I am reflecting on any Indian shipping concern. I would like to know from the hon. Minister if the existing shipping companies have the requisite capacity to increase their tonnage. Of course, their intention is to increase tonnage. Beyond doubt they have made their intention clear and they have emphasised it also in their evidence time and again, that they can do so. But when the members of the Select Committee—and they did a very good job in my opinion—put the

question as to how they proposed to increase this tonnage, the answer that was given was not quite convincing, in my opinion. Of course, they have suggested several methods. Mainly they have suggested that they should be allowed to use the foreign exchange which they earn, that the World Bank should give them money, that the Government should see that the World Bank provided them with loans, that the Defence funds may be utilised by diverting a portion of it for this purpose, because this becomes a second line of defence. And then goods freights . . .

(Times bell rings.)

Sir, let me have five more minutes.

MR. DEPUTY CHAIRMAN: No, you have already taken fifteen minutes

SHRI M. GOVINDA REDDY: Then I will leave this point. I want to be assured and I am sure the House also would like to be assured about the position regarding the Indian companies being able to increase the tonnage.

Here I have figures of the additional tonnage which has been increased year by year against the tonnage that is scrapped or sold, but since I have not the time I cannot read them out. They point to the fact that the rate of increase is very slow. I have also figures to show the annual increase of our overseas tonnage but there also there are some 7 or 8 items and I do not think I have got the time to read them out. There also is the rate of increase very slow. The financial structure of these companies is like this. I give the rough position only, because I am not posted with full facts. Roughly the Scindia Steamship Company has a paid-up capital of Rs. 9.5 crores. Their assets amount to Rs. 25 crores. and they have taken loans amounting to Rs. 13 crores from the Government, and they have debentures amounting to about Rs. 4 crores. They have outside liabilities also, not only

Indian, but outside too. In the case of the Indian Steamship Navigation Company, Rs. 2.5 crores is their paid-up capital, Rs. 16 crores is their assets and they have government loans of Rs. 15 crores and they too have outside liabilities.

In the case of the Great Eastern, the paid up capital is Rs.20 lakhs, the assets are Rs.2½ crores and they have Government loans to the extent of Rs. 3½ crores. They have outside liabilities too. The Bharat Lines have a paid up capital of one crore of rupees, their assets are worth four crores and they have liabilities to the extent of two crores besides outside liabilities, the extent of which is not known to me. The Malabar Group of Companies, taking all of them together, have a paid up capital of Rs. 55 lakhs; their liability to Government is three crores and they have another item for one crore of rupees. If we examine these figures, it only shows that these concerns are neck-deep in loans; at least they owe a lot to the Government. From the various representations that were made elsewhere, it appeared that shipping has not been a good proposition. In fact, they represented before the Coastal Shipping Committee and made an appeal to the Government for enhancement of the freight charges. The Government have given a rise to the tune of 15 per cent. in the freight charges. I am stating these figures roughly to show that their position is not very lucrative as could be made out. If that is so, with so little paid up capital, with their being neck-deep in loans, would they be in a position to divert additional finances for increasing the tonnage? This is a question, Sir which I think the hon. Minister should try to explain to us. If one could contend, as the shipping interests have contended, that they could increase the tonnage, why did they not increase it at all although they borrowed money from Government on easy terms. There has been very little increase after these companies obtained loans from the Government. Of course, I know that

[Shri M. Govinda Reddy.]

orders have been placed after these concerns obtained loans and a lakh odd tons are yet to be delivered. I know that but in comparison with the loans that they have received, they have not been able to increase the tonnage. I would be very pleased if these shipping companies are put in a position, without risking Government funds, to increase the tonnage to the extent required by us. I hope, Sir, that this position will be cleared. In any case, I would like the Government to be very cautious in advancing loans to these concerns unless they can show that their position is quite sound and that they will be able to divert funds for increasing the existing tonnage.

Thank you, Sir.

SHRI H. N. KUNZRU: Mr. Deputy Chairman, it is a matter of great satisfaction to every Indian that under the Bill before us, there will be an Indian register of ships. Even ocean going vessels, which can be called Indian ships will be registered in India. They will fly the Indian Flag, obey the Indian laws and in every respect be subject to the controlling authority of the Government of India. We had sometimes ocean going vessels but they all possessed a British registered certificate. Hereafter, all ships that could be called Indian under the Bill will be registered under the Indian law and will be registered in India. It is surprising, Sir, that although eleven years have passed since independence, we are only now going to pass legislation in order to enable ocean going vessels to be placed on an Indian register. Sir, it is not enough for us that there should be an Indian register. What we want is that Indian shipping should grow as rapidly as the circumstances permit. Now, the Government have started a Shipping Development Fund which will be financed in the manner pointed out by the Minister for Communications. Now, Sir, that means that that Fund will be created almost entirely from

the grants given by Government and from loans given to the Shipping Development Fund Committee. That is, the development of Indian shipping in future will depend entirely on Government support. I may leave out the small items, for instance, interests on the loans that are given or the instalments of loans that are realised from time to time because even the realised instalments will continue to be at the disposal of the Shipping Development Fund Committee. Will the money available in this Fund be enough for the development of our shipping? A question was put this morning, Sir, to find out what allotment was made by the Planning Commission for the building of new tonnage and how much of the funds so set apart had been utilised. It appeared to me from the answer given by Shri Raj Bahadur that commitments had been made in respect of the entire sum. Therefore, although we have not been able to complete the tonnage of 900,000 which was our target, we have practically no money to reach that target. I think Shri Patil told us earlier this morning that at the present time we had a tonnage of 635,000 and that he expected to add to it another 20,000 leaving out the tonnage that will be used to replace the worn out ships. This means that we will have tonnage roughly of 650,000 in a year or in a month or even today, because the necessary commitments in that regard have been made. Now, are we going to reach the target that we had in view? Obviously we shall have to depend on foreign money and this can be received in two ways, either by way of loans or by way of equity capital. I do not know, Sir, whether it will be possible for us, under the existing circumstances, to get additional loans. We are at the present time inviting foreign assistance for the development of our industries in the shape of participation in equity capital. How will the position of the shipping industry be different from that of any other industry that we are trying to develop at the present time? We have to see whether the Bill makes adequate arrangements to enable us to induce

foreign capitalists to participate in the development of Indian shipping.

Before I deal with this matter, I should like to refer to one or two things which are germane to this discussion. The Bill as introduced in Parliament introduced no such restrictions in the definition of an "Indian Ship" as have been introduced now. I think the hon. Minister himself pointed out this morning that clause 21 of the Bill as passed by the Lok Sabha in accordance with the recommendations of the Select Committee is very different from clause 12 of the Bill as introduced in the Lok Sabha in regard to the definition of an "Indian Ship". Now this shows, Sir, that when the Bill was introduced Government was prepared to allow ships owned wholly by foreign companies to be registered in India and to be treated as Indian ships. Now that was open to serious objection, and the definition has accordingly been changed. But the pendulum seems to have swung the other way. The Bill provides that one of the conditions on which a ship can be regarded as an Indian ship is that 75 per cent of its equity share capital should be owned by the citizens of India, which means that not more than 25 per cent of the equity capital can be held by non-Indians. The hon. Minister for Communications went so far as to say this in the other House—I mean this is his statement made on September, 17—"I can tell the House that even if we do not achieve our target, if it has to be done at the cost of inviting foreign capital in a vital industry like national shipping, I would rather remain without that ship than really endanger our shipping by inviting capital from outside. Therefore let there be no misapprehension in the minds of my hon. friends that foreign capital is going to be invited by the mere acceptance of the amendment. Reference has already been made to this amendment merely because the Government is empowered, or invested with this power. If the House has got confidence in the Government that it would be used in the right direc-

tion, it would have been very unwise on my part not to accept it."

Now, Sir, I thought, when the hon. Minister was speaking this morning, that he was trying to soften the effect of what he had said in the other House, but when I put a question on this subject and thus invited him to clarify the matter further, he reverted to the position which he took up in the other House. Now, frankly speaking, with all respect to the hon. Minister I see no wisdom in this remark.

Sir, I have already referred to the definition of "Indian Ship" in the Bill as introduced in the Lok Sabha, but I should like also to point out what the hon. Minister Shri Raj Bahadur said in the other House during the Budget debate in May last. He referred to the policy resolution on shipping, that was issued in 1947. He pointed out that in this policy resolution a ship, to be an Indian ship, had to be registered in India. Then he went on to say: "At least 75 per cent of the shares or debentures should be held by Indians. All directors should be Indians. Managing agents, if any, should be Indians." Apart from that, it further says—that is the Resolution—"The Government of India wish to add that any company which finds it difficult to comply with any of the points (a) to (d) may apply for Government's specific approval to its being treated as Indian ship. Such application will be considered by Government in the light of the reasons for which the company asks for special treatment and the circumstances which prevented it from complying with all or any of the conditions." Now referring to this he said this was an elastic provision and Government could therefore allow the introduction of foreign equity capital even to the extent of 49 per cent, and so far as I could understand him it seemed to be his view that no harm would be done if the amount of capital held by non-Indians were increased even to 49 per cent of the total share capital.

Now, Sir, there is one other point that I should like to deal with in this connection. Shri Patil in the extract

[Shri H. N. Kunzru.]

from his speech that I had just quoted has said that he would rather remain without additional shipping than really endanger our shipping by inviting capital from outside. I tried to understand what the danger to our national security or national interests would be if we invited capital from outside. He did not explain this point, but I suppose that what he meant was that as the mercantile marine is supposed to be a second line of defence, as an auxiliary to the navy, it must be treated in a different way from other industries.

Now, Sir, just think of the conditions under which a ship can be an Indian ship. It has to fly the Indian flag on certain occasions, in an emergency it will be required to fly the Indian flag . . .

THE MINISTER OF STATE IN THE
MINISTRY OF TRANSPORT AND
COMMUNICATIONS (SHRI RAJ
BAHADUR): Always.

SHRI H. N. KUNZRU: Yes, it will fly the colours that will be fixed by the Government of India, it will have to obey the Indian laws, and when a war breaks out—and it is only then that you can feel that the participation of foreign capital may be a danger to India, you can pass a law bringing completely all shipping registered in India under your control. An Act like the Defence of India Act may be passed, which will give the Government of India full power to requisition Indian ships. I do not therefore understand how any danger to our security can arise by a greater participation of foreign capital in the shipping industry than that provided in clause 21 of the Bill.

Now, as I have already pointed out, Sir, the funds set apart by the Planning Commission for the development of Indian shipping have been virtually exhausted. Now if we are to make any progress, we must have either foreign loans or foreign capital, foreign participation in the share capital,

and I think the second method would be easier. Suppose we can get in this way only one crore of rupees. Now it will be possible, according to what the hon. Minister has said, to buy four or five ships and we shall not have to think of repayment of any loan because 75 or 80 per cent of the cost which will remain to be paid can be met from the earnings from foreign trade. There does not seem to me therefore the least disadvantage in adopting this method. I think that the percentage that has been adopted in this Bill is not merely conservative but too conservative and it is in conflict with the best interests of India.

After all when the amendment to which the hon. Minister referred this morning was passed, the amendment allowing the Government of India to alter the minimum percentage of Indian share capital in an Indian ship, it meant that the arrangement should be flexible. It did not mean that this provision should be used only to decrease foreign participation. It meant also that if necessary foreign participation might be increased and at the present time it seems to me that it would be a distinct advantage to us to increase the participation of foreign capital in this industry.

There is one other objection which the hon. Minister referred to and which I want to deal with. He said we passed a policy Resolution in 1947, but he had not received so far a single offer of participation in the shipping industry from any foreign source. Sir, I have read out to you what the hon. Minister, Shri Raj Bahadur, said in the other House in May last. The policy Resolution of 1947 at any rate is not the same as the Industrial Policy Resolution of 1948. This Resolution dealt with the policy adopted by the Government of India in regard to development of shipping and it was adopted after the consideration of the Report of the Reconstruction Policy (Shipping Development) Sub-Committee. All the directors were to be Indian under this Resolution and all the managing agents were to be Indian. Now, what

incentive was there for foreigners to hold shares in the Indian shipping industry under these circumstances? If, Sir, any increase in the foreign capital meant that the foreigners would have a hold on the Indian shipping industry, a hold that might stand in the way of our security during an emergency, I could understand the objections that have been put forward but, as I have pointed out, these fears are groundless and there can therefore be no objection to allowing the percentage of foreign share capital to be increased. Sir, I lay stress on this because although the amendment allows this to be done, the hon. Minister, Shri Patil, has needlessly committed himself to the view that this amendment will be taken advantage of by him only to reduce the percentage of the foreign share capital and not to increase it.

SHRI S. K. PATIL: That is not the correct interpretation. What I said was that between the two ends there were two sets of amendments one requiring one hundred per cent. Indian and another a higher percentage. And between the two this amendment has come. Therefore I said that if I am allowed to use it, there is no doubt that I am more inclined that way. The amendment is amendment, apart from how you are going to use it and you can use it with laxity or elasticity as the hon. Member wants.

SHRI H. N. KUNZRU: I am not interpreting the amendment. I am only pointing out what the policy of the hon. Minister is. He said this morning and he has repeated that, that although this amendment has been passed he is not inclined to use it in order to increase the participation of foreign equity capital in the shipping industry. As I ventured to say earlier, I do not think that this obstinacy is a sign of wisdom.

Now, I come to one other point. The hon. Minister said this morning that it was not the intention of the Government to give assistance in the development of shipping to concerns which were not wholly Indian, which

were not Indian in accordance with the definition given under clause 21. That was a definition only for placing the ship on the Indian register and . . .

SHRI S. K. PATIL: I corrected it. If the hon. Member remembers, I said that now we have removed that distinction for development and I said that I was explaining the policy Resolution of 1947. Now, this clause 21 makes no distinction between promotional development activity and mere registry. I ended by saying . . .

SHRI H. N. KUNZRU: I am glad to hear that. The hon. Minister said in the course of his speech that there were certain industries in which discrimination was made between an industry controlled by Indians and an industry controlled by foreigners but I am not aware really of any such industry because no discrimination can be made between one industry and another when once they are all established in the country. However, I leave this point. I am glad to hear from my hon. friend that he realises that even for the purpose of giving, what he called, promotional assistance no discrimination can be made between one company and another in accordance with the percentage of foreign capital in it.

I should like the hon. Minister to clear up one point. There is this clause 406 of the Bill which says:

“No Indian ship and no other ship chartered by a citizen of India or a company shall be taken to sea from a port or place within or outside India except under a licence granted by the Director-General under this section.”

And there is a proviso under which the Central Government can grant an exemption if it thinks it is necessary or expedient to do so in the public interest. Then it is followed by clause 407. Now, I do not quite understand the meaning of this clause 407:

“No ship other than an Indian ship or a ship chartered by a citizen

[Shri H. N. Kunzru.]
of India or a company which satisfies the requirements specified in clause (b) of section 21, shall engage in the coasting trade of India except under a licence granted by the Director-General under this section."

Is it the intention of the Government to allow a non-Indian ship which has not been chartered by a citizen of India or by a company which can be regarded as an Indian company under clause 21 to engage in the coasting trade of this country? If so, why is this right being given to foreign vessels?

3 P.M.

Lastly, I should like to come to the definition of "home-trade ship". The definition in the Bill before us is an improvement on the definition of "home-trade ship" in the Bill that was introduced in the Lok Sabha. But even then, I think, it is not adequate to our purpose. The definition given in clause 3 (16) says:—

"'home-trade ship' means a ship not exceeding three thousand tons gross which is employed in trading between any port or place in India and any other port or place on the continent of India or"

and I draw the attention of the House to these words:

" . . . between ports or places in India and ports or places in Ceylon, Maladive Islands, Federation of Malaya, Singapore or Burma;"

Now, I should like to know why no port to the west of India has been included in the definition of "home-trade ship."

SHRI RAJ BAHADUR: You say Karachi or Aden?

SHRI H. N. KUNZRU: We have trade in the Persian Gulf and if Indian vessels can trade, why should not Indian ships trading in the Persian Gulf be supposed to be "home-

trade" vessels, or, say, ships going to Mombasa, that is, East Africa, be regarded as "home-trade ships"? I remember that for strategic purposes the Government of India regarded Indian responsibility for the defence of India to lie between two points, Cairo in the west and Singapore in the east. Now, strategically the point of view of the British Government may have been right; but politically it was unsound. And that was the ground on which we objected to this responsibility being placed on Indian shoulders. But in regard to economic and other matters it is quite obvious, even in the present circumstances, that the definition of "home-trade ship" should refer not merely to Singapore in the east but also say to Persian Gulf ports or to East Africa and I see no objection to it, because after all the purpose of defining "home-trade ship" is to reduce the costs that would otherwise be incurred. From every point of view, therefore, it would be better to widen the definition of "home-trade ship".

SHRI P. N. SAPRU: Why not Thailand?

SHRI H. N. KUNZRU: My time is up and the hon. Member can suggest that himself. There is only one thing. I want to ask a question with regard to the Shipping Board. The hon. Minister, Shri Patil, explained to us the functions of the Shipping Board this morning. Now, I think he said that in addition to any matters that the Board might discuss, it will have to discuss any matters placed before it by the Central Government. Now, what he said seemed to indicate that members of the Shipping Board would be free to suggest points on which a discussion should take place, but I should like to have an explicit assurance from him on that point.

SHRI S. K. PATIL: Yes, that is so. And that other thing is only in addition. If they themselves do not consider the points, when they occur to Government, we shall approach them.

for consultations. It is not a restrictive clause, but it merely illustrates the point.

SHRI H. N. KUNZRU: Sir, this is all that I wanted to say at the present stage. I shall have something more to say when my amendment comes up for consideration.

MR. DEPUTY CHAIRMAN: Mr. Chettiar. Fifteen minutes only.

SHRI T. S. AVINASHILINGAM CHETTIAR (Madras): Mr. Deputy Chairman, this is a Bill which all of us welcome. There are no two opinions about the necessity of this Bill. With regard to the provisions in the Bill, certain portions of the Bill are technical. I do not want to go very much into the technical portions of the Bill. I would refer only to three or four clauses. The Minister who introduced the Bill advisedly referred to three of the most important clauses. One clause is clause 4 which deals with the National Shipping Board. It is essential that to frame shipping policies, to guide the Government in such matters, a first-rate and high level Board of that character should be formed. Secondly, he referred to clause 14, which relates to formation of Shipping Development Fund. I would wish, having in view the policy that we have adopted with regard to other industries that the development of those industries should arise partly out of the funds provided by the industry itself, the same here. I should think that it is possible that we may levy a cess on the shipping industry so that whatever is raised from the cess will go to the development of the industry. Clause 14, you will see, provides only for three classes of income:—

“(a) the amount of such grants as the Central Government may make for being credited to the Fund;

(b) the amount of any loans advanced by the Central Government to the Committee constituted under section 15 for carrying out the objects of the Fund;

(c) such sums of money as may, from time to time, be realised out of repayment of loans made from the Fund or from interest on loans or dividends from investments made from the Fund;”.

I wish that a provision had been added that any cesses that may be levied by the Government for the development of the shipping industry, and I should think that in course of time, not before long, certain profits that may be brought, that may come out of this shipping industry should be ploughed back for the development of this industry itself.

Now, I come to clause 21. Clause 21 has been elaborately explained by the Mover of the Bill. What I am not able to understand is this. It may be seen from the Report of the Joint Select Committee that the conclusions arrived at on the very matter read as follows. I read from page (v) of the Report:—

“Clause 21 (Original Clause 12).— This being the most controversial clause in the Bill as it related to the question of foreign participation in Indian Shipping, the Committee have given careful thought to it and after hearing the varying viewpoints of Shipowners and others who appeared before the Committee and also that of the Transport Minister, the Committee feel that:—

(i) Where a ship is owned by an individual the entire ownership shall vest in Indian hands, and

(ii) where a ship is owned by a company, it should satisfy the following requirements:—

(a) the principal place of business of the company should be in India;

(b) at least seventy-five per cent of the share capital of the company is held by citizens of India;

(c) not less than three-fourths of the total number of Directors of the Company are citizens of India;

[Shri T. S. Avinashilingam Chettiar.]

(d) the Chairman of the Board of Directors and the Managing Director, if any, are citizens of India;

(e) the Managing Agents, if any, of the company are citizens of India or in any case where a company is the Managing Agent, the company satisfies the requirements specified in sub-paras. (a), (b), (c) and (d)."

This is what was provided for in the Joint Select Committee's Report. But what happened afterwards, I do not know. Even the Minister introducing the Bill did not show any signs of any amendment being accepted from this side. In fact, from what I heard—I am speaking subject to correction—there was no inclination, there was no indication, if I may say so, of any amendment to the contrary being accepted by the Government in the course of discussion of this Bill. As it was, it took the Members of the Lok Sabha by surprise that this proviso was accepted.

May I now, Mr. Deputy Chairman, examine the implications of this proviso? The proviso reads as follows:—

"Provided that the Central Government may, by notification in the Official Gazette, alter such minimum percentage, and where the minimum percentage is so altered, the altered percentage shall, as from the date of the notification, be deemed to be substituted for the percentage specified in this clause;"

It may be seen that it does not put any limit to the reduction or to the increase in participation of the foreign capital. It may be 10 per cent., it may be 20 per cent., it may be 50 per cent., it may be 70 per cent. The percentage of foreign capital participation may be anything. The Government of India has been given a *carte blanche* to make any relaxation it pleases in individual cases, and I think on principle such a relaxation of the rule is wrong.

is inadvisable. I can consider that 75 per cent. of the Indian capital may require to be reduced sometimes, but still there must be a limit up to which that reduction can be made. At no time relaxation of any kind can be made in which Indian capital can be less than 51 per cent. It will be seen that this proviso gives the power to Government to make any relaxation. It may be said that after all we are a National Government, after all we are elected representatives, what does it matter if we give them the power? That argument can go anywhere. We need not prescribe any limit anywhere because the Ministers are averse to it. I do not think an argument like that should be advanced on a proviso like this. I would have been happy if they had put an under-limit to this relaxation, that no relaxation can ever be given below 51 per cent. But in the absence of such an under-limit, I think it is entirely wrong for Parliament to give such a blanket power to the executive in the form in which it has been given.

Mr. Deputy Chairman, let me explain to you another implication arising out of this. I am now referring to sub-clause (v):

"the managing agents, if any, of the company are citizens of India or in any case where a company is the managing agent the company satisfies the requirements specified in sub-clauses (i), (ii), (iii) and (iv)".

Under this sub-clause if the Government gives a relaxation in the case of a company that Indian capital may be 40 per cent. or 45 per cent. and that foreign capital may be 55 per cent. or 60 per cent., in the case of the managing agents also the same relaxation applies because of the proviso that has been accepted. It cannot be said that in a company where there is 45 per cent. of Indian capital and 55 per cent. of foreign capital, this sub-clause (v) applies to the managing agency alone. As it stands now sub-clause (ii) with the proviso will apply to sub-clause (v) also. That means that the managing agency of a company can also have

Indian capital of less than 50 per cent., of 40 per cent. or 30 per cent., and foreign capital of 50, 55 or 60 per cent. Sir, I would like to explain to this House, and I would like to explain to the Government, that the acceptance of the amendment to sub-clause (ii) does not stop with sub-clause (ii). The mischief that it can do is not only confined to sub-clause (ii), but it will also apply to the managing agency firm wherever there is a firm. Wherever there is managing agency, to that managing agency firm also it applies, and that means that a managing agency firm which has not even 51 per cent. of Indian capital—it may have less than 50 per cent. of Indian capital, it may have more than 50 per cent. of European capital—may function as the managing agency of a shipping company. May I take it that this interpretation is correct?

SHRI S. K. PATIL: I do not think that that interpretation is correct, but I would examine it.

SHRI T. S. AVINASHILINGAM CHETTIAR: The Minister may have it examined by the Law Ministry, I would like them to have it examined by the Law Ministry, but that is the only reasonable interpretation that can be put upon it. In view of that interpretation resulting out of that amendment, I shall be glad if the Government will accept the amendment that I have given, that is to omit the proviso.

Incidentally, there is one other matter which I would like to discuss on this point. My very revered and very respected friend, Mr. Kunzru, said: what is the harm in a company having more foreign capital? We used to say in the opposition in those days that the Defence of India Act was the way in which the Government of India tried to solve all their problems. At least now in India things cannot move but a ship moves. Any company which has risked this foreign participation in capital has a domination of foreign interest. The ships can move long before the "Defence of India Act" can come into operation. They can get

into ports over which the Government of India will have no control whatever. I should think that it is an absolutely dangerous thing to speak and to say, "What does it matter if there is more foreign capital?" Foreign capital means foreign control. Nobody wants to give foreign capital to you without control. Even when money is given to Government, there is that psychological control. When it is given by foreigners to individual firms, there is a foreign control. When there is a majority of shares that are being held by foreigners, that means the Directors may any day rule that the ships should go to particular ports and remain there, and the Defence of India Act and any other Act will touch them precious little. I would like to urge that whatever may happen about industries which are built up in this land, about buildings and about machineries which are in this land they cannot be removed easily, but about ships which can move the danger of foreign influence would remain. Thirdly, we who say that the Indian Marine is going to be a second line of defence . . .

SHRI H. N. KUNZRU: How will there be a majority, how will a greater part of the capital be held by foreigners under sub-clause (2)?

SHRI T. S. AVINASHILINGAM CHETTIAR: My hon. friend may read that sub-clause. The Government can relax to any extent. Indian capital can be reduced to 45 per cent. No limit is placed here. I should think that in a matter like shipping the control of shares is more than monetary, it may be physical, it may be psychological. Any Indian is automatically loyal to India. But even in an Indian shipping company, there may be a great deal of foreign personnel. They cannot be depended upon in times of emergency. We talk of shipping being a second line of defence, and second lines of defence are not going to be effective through orders issued from the Secretariat. Those orders are not even obeyed by our own people, and I think it is too much to expect that they will be obeyed by foreign people. I

[Shri T. S. Avinashilingam Chettiar.]

think we will be very well advised to keep to this limit. I understand that foreign capital is necessary. We want our development to go on, but foreign capital can come by governmental arrangements, as we are doing for our Railways. The Railways are not mortgaged. But when we give the majority of the shares of a shipping company to foreigners, let us remember that the control to that extent passes into their hands. When the majority of the shares is in our hands, then the control does not pass into their hands.

Mr. Deputy Chairman, I should think that in a matter like shipping the lesser the foreign capital the better. I would like only to add that I hope that this proviso which has been accepted, may I say, perhaps without too much thought, will be dropped. I know the arguments that are usually advanced—it has to go to the other House, we have no time, etc.—but in the interests of the proper working of the Act that amendment should be accepted.

SHRI N. C. SEKHAR (Kerala): Mr. Deputy Chairman, I am glad that at least now I am given this opportunity to express our views on this particular Bill. At the outset, however, I must congratulate the Select Committee and, of course, the Minister also, for having brought in new features in the Bill, namely, the National Shipping Board and the Development Shipping Fund. These two new features are a good augury in the interest of our national mercantile marine. The Bill has tried to set forth in its preamble the targets which our national mercantile marine would like to reach as the national goal. There are also some other good provisions in the Bill. But all the same, as previous speakers did, I too like to concentrate my observations on a particular clause, i.e., clause 21.

As the previous speaker pointed out, in the original Bill, under clause 12, the Government took a definite step, that is, to allow an influx of foreign capital into the national mercantile marine. Then, as the hon. Minister

explained, there were two powerful forces pressing the Government from either side to accept their point of view. This course of action from the original Bill to the latest Bill on the part of the Government is wrong. First of all, the Government took a decision. Then it slowly changed it under the pressure of national opinion. Then there was another *volte-face* and that appeared in the form of a proviso to clause 21(b)(ii). Mr. Chettiar has explained the dangers underlining that proviso. I have very minutely gone through the evidence deposited before the Select Committee and also followed the discussions of the Select Committee through its Report. Of late, I have read in certain sections of the Indian press that powerful interests were hovering not only around New Delhi, but everywhere—where Members of Parliament reside. Why? To influence them with a view to putting forth their point of view here, to press the Select Committee to accept certain amendments in their favour. All these circumstances suggest that these changes have got some background and also some basis. Those who argued, according to the evidence tendered before the Select Committee argued on the basis that the Government of India should not give any help and encouragement to the monopolists. Of course, as far as we are concerned, we are not the people who favour the monopolists. We do not want to nurture or encourage monopolists in our land. At the same time, it is surprising to hear certain sections of opinion suggesting that the Government should not encourage monopolies which are national. They might have some Indian shipping companies within their purview. But anyway, they say that the Government should not support the national monopolies. Then what should they do? They should allow the foreigners to participate in the national mercantile marine? They should not support the national monopolies, but at the same time, they should support the foreigners. Who are those foreigners? I would like to be enlightened about this opinion, as to

what kind of foreigners they support. Is there any foreigner who is prepared to come over here, who is not a monopolist? Any foreigner who is prepared to come to India to invest his funds in the shipping line is none but a monopolist. No minor company would come to India to invest money in India. They are equally monopolists. You may ask us, as Communists, which monopoly we would support. Theoretically, monopolists, whether national or foreign, are alike, and we view the monopolists to be very dangerous to the masses. But there is another point—national interest; it is far more important. Nobody can question national interest and it cannot be challenged. Hence I would say that I prefer the national monopoly because it does not repatriate the profit which accrues to it from the industry, from the exploitation of the people, to outside countries. The national monopolists reinvest the funds in our own country, but in the case of foreigners, what do they do? They repatriate the profits because the Government of India has the benevolence to allow them to repatriate their profits which they make in our land, to their own land. That is the one wonderful law that we have got here. So long as that law exists, the foreigner will take away the profits he is making here.

There are so many aspects and factors to be considered. They have been brought forth very clearly before the Select Committee by no less a person than Sir Ramaswamy Mudaliar or M.A. Master or others who know something about this industry and the national interest. They have clearly expressed the danger in case the foreign capitalist is allowed to invest funds in the mercantile marine. They have explained it from the point of view of defence, from the point of view of export and import trade and others. All these arguments are before us in the form of evidence. But, I wonder, there are still people in our country, which had been under the British yoke for the last 250 years, who think of allowing the foreigner to come in, as early as possible, to develop the mercantile marine. We say, we as a nation must

take pride in saying that we have a powerful mercantile marine as the second line of defence. But I would like to be enlightened by no less a person than Dr. Kunzru as to how America developed her mercantile marine; as to how Britain developed her mercantile marine; as to how West Germany developed her mercantile marine and as to how Japan has recouped and reconstructed her mercantile marine after its defeat in the last war. Is it with the help of foreign capital? Is it with the help of any other foreign power? Or is it with their own industry, capital and with the help of their own Governments? To what extent have these countries developed their mercantile marine with their own capital! For that they have created the necessary ground. They have given encouragement to their native interests on account of which they have certainly developed. Similarly, can we not develop? Certainly, we can develop our own mercantile marine with our own effort. If foreign help is at all necessary, as Sir Ramaswamy Mudaliar who is interested very much in this and who is also a participant in the national shipping services said, take loans from the World Bank. Once they offered a loan and our Government did not want to take that then. There, they did not show as much interest to take it as they had in taking a loan for the iron and steel industry of the Tatas or some other project. He has suggested some other ways which my friend, Shri Dhage, has very clearly brought forth before the House. That is, you deposit Rupees, the capital, in the Indian banks with Government's guarantee. Then allow the foreign interest to repatriate this after 1961 in the form of foreign exchange. That was suggested before the Committee. It is in view of these arguments that the Select Committee has modified the original clause 12. Even that clause is not necessary. Our demand is that the Government, instead of allowing foreign interests to invest funds or to take part in the share capital or even allowing the national monopolies to enter the mercantile marine, should itself take certain steps to start a

[Shri N. C. Sekhar.]

Shipping Corporation and invest money there. They should invest money. Instead of nationalising the existing Steamship companies, Government can itself enter the field and start a national Shipping Corporation, as it did Iron and Steel Corporations and some other Corporations. Government can take steps to see that the mercantile marine is developed as soon as possible through a Corporation which they can start, to which they can give loans and give all kinds of encouragement. Instead of that, inviting foreign capital to invest in the shipping marine will be very dangerous. I would like the Minister to explain the position. Suppose a British company invests in India and registers its ships in India and trades under the Indian flag and it also starts trading on coastal areas as well as on foreign ports, will that company be allowed to repatriate its own profits from this land to their own country? Will that company take as much interest as national companies in the Conferences? It is called Conference of Shipping Companies to suggest freight rates and which ports they should visit and which ports they should not visit to load or unload cargoes. Such Conferences are there. Should those companies represent us in them? Will such companies take as much interest as our national companies will take for the defence of our country? Certainly instead of seeking such explanation from the Minister we can very well understand from our own lives that such foreigners will never take as much interest as the nationals will take. So we are particular that this clause 21 should undergo a thorough change. This proviso should be deleted. If the proviso is there, the other sub-clauses of this clause will become ineffective. As the Minister said, the effect of this proviso is, it can cut both ways, this way or that way. Supposing there is strong pressure that a British Steam Company should be given the opportunity to invest and have a big share, if the pressure is so strong, then our Government might

say: 'All right, the percentage envisaged for the foreign company is increased from 25 to 40 per cent' because the pull is very strong. They can also suggest 'All right, it will be 100 per cent. Indian'. That depends on companies. Anyway, according to present experience and atmosphere, the pull is to the right, that is the pull of the foreign interests is much stronger than a year before. In our country in the field of every activity the pull of the foreign interest has become more and more strong. Particularly in the present context, there is every likelihood that Government may take a decision to favour the foreign capital investment and allow much more percentage of foreign capital in the Indian mercantile marine. There we have to face a danger that instead of serving our national interests, we may, in the name of national interests, serve the interests of foreigners to take out greater profits and enrich themselves instead of enriching our marine and our export and import trade. I don't want to quote facts and figures as to show in whose hands our export and import trades are today. There was a question today regarding the shipments of goods from America to this country. It was said that it was in the agreement with America that 50 per cent. of goods to be imported to India from America should be reserved to American ships and 100 per cent. under such and such agreement should be reserved to American ships. There are certain Resolutions and decisions and rules and regulations of the Government of India to favour our shipping companies or to allocate certain percentage of export trade and also import trade. That is all right but the complaint of the shipping companies is that the Government is not lending much attention to utilize the existing tonnage of the Indian shipping. Even yesterday there appeared an article to suggest that the Indian Government, instead of lending greater attention to utilize the existing tonnage of Indian shipping, is favouring foreign ships by allocating more percentage of export and import trade. That is the situation.

Regarding reaching the target of 900,000 G.R.T. at the end of the Second Plan, certainly the Government can see that a greater percentage of export and import trade should be allocated to our national shipping companies . . .

SHRI H. N. KUNZRU: But where are the Indian ships to which greater allocation can be made?

SHRI N. C. SEKHAR: The Scindia Steam Ship Company is there, the India Steam Ship Company is . . .

SHRI JASWANT SINGH (Rajasthan): Very little quantity.

SHRI N. C. SEKHAR: At least 630,000 lakh tons are there. They say even that is not utilized by the Government. Whatever they can use is restricted by foreign competition, for which the Government have opened the gate. That complaint must be heeded to. You utilize that tonnage and then give some more favours and then ask them to plough back their profits into the industry. The interested companies' complaint is that the Government so far did not take as much interest as it ought to have taken as the other Governments are taking towards their companies. I don't know whether it is a fact. I am not engaged in the mercantile marine. This is what I read and we speak out of our knowledge derived from literature. We can also say from the Select Committee evidence. Our interest is that we must see that our Indian marine is developed with our own national resources, not with the resources of foreign countries but at the same time we are not against taking loans from foreign countries but we are against giving facilities for foreign capital to invest in this shipping industry to the detriment of our national interests.

Secondly regarding clause 150, Government has sought to take power in their hands to modify or reject any award that may be given by a tribunal. The Government has a bitter experience in relation to the

Bank Award, which cost them even the resignation of a capable Minister. Following that there was a country-wide agitation. With all this bitter experience before them, why should the Government want to seek power to modify or reject an award which may go in favour of the sea-men or employees?

SHRI P. D. HIMATSINGKA (West Bengal): It may also go against them.

SHRI N. C. SEKHAR: Usually when they went against the employees the Government did not modify them. That is what history shows. Here there is a bitter example which can be illustrated anywhere. There is the interference in the Bank Award which went in favour of the employees. The Government modified it which cost the resignation of a particular Minister as I pointed out. That is also one of the most objectionable clauses in this Bill. Therefore, our point of view is that this House should take cognisance of this clause 21, particularly its proviso and also the proviso to clause 150 which certainly go against the interests of the nation, against our national interests and also against the interests of the employees of the mercantile marine concerns. Finally I appeal to all the Members of the House to take cognisance of this and the Government should be impressed by this and they should be pressed to delete the proviso and accept clause 21 at least as modified by the Select Committee, without this proviso. With these observations and after expressing my thanks, to you, I conclude.

SHRI P. D. HIMATSINGKA: Mr. Deputy Chairman, this Merchant Shipping Bill as reported by the Joint Committee is quite welcome. It is definitely a good measure for giving a fillip to the shipping industry. As you know, we are short of internal resources as also of foreign exchange resources and a number of our industries have been cut and our Second Plan also has been re-shaped in order to fit in with the present difficult-

[Shri P. D. Himatsingka.]

situation in our finances, both internal and foreign. That is one reason why I think the Government has been good enough to accept the proviso in clause 21 of the Bill. I have, however, not been able to follow the reasoning put forward against equity capital being allowed to be taken by foreign interests. You know about Rs. 859 crores have been borrowed so far from foreign countries and during the present journey of our Finance Minister he has been able to secure Rs. 175 crores. Therefore, the present loans will exceed Rs. 1,000 crores. Taking the average interest on this huge amount of loan, just imagine the amount that we will have to pay by way of interest year by year plus return of the capital after a certain period. That will come to about Rs. 100 crores every year after 1961. Imagine the strain that will be on the economy of the country. Therefore, I have not been able to follow the hon. Minister in this respect. He is generally very active in understanding these things, but I could not follow why he will prefer loans to equity capital. If I followed him aright, he thinks that no equity capital is likely to come. It may or may not come. But the point is, if it comes, does he think that it should not be accepted? Should he go in for loans for encouraging shipping industry or would he prefer equity capital if it is available on the terms of the Government of India? I for one would certainly think it would be certainly intelligent and it would be good if we allow foreign equity capital to participate in our shipping, because in that case, if the companies lose, as they are bound to, for a number of years in the beginning, we will have to pay nothing. If they begin to earn, you give them their share of the profits. Certainly that would not be worse than the position of the creditor. If you borrow money and if you do not make any profit, they will put pressure on you and they can take steps to attach your property, to sell your ship and so on. If it is equity capital, you need only pay them the annual dividends

that you declare. You need not return any capital and you can also increase the tonnage year after year without much difficulty.

SHRI H. P. SAKSENA: But offers of equity capital have strings attached to them.

SHRI P. D. HIMATSINGKA: My hon. friend Mr. Saksena has not understood me. I have clearly said that the capital should be available on the terms of the Government of India, as provided in the Bill. As a matter of fact, if the hon. Member will read the provisions here, he will find that power has been taken by the Government to regulate practically everything connected with shipping companies. They can give directions as to where a ship should go, from which port to which port, which route it should follow, what cargo it should take, how many passengers and what kind of passengers it could take and so on. It has got complete control over the ships which will be Indian ships. Therefore, I cannot understand how any question of strings comes in. If strings are intended to be attached, certainly we reject the capital outright, even if it be five crores or ten crores or any amount. If equity capital is available, why should we go in for loans which will certainly be more onerous, which will give the creditor a strangle-hold on you, which no equity capital can possibly do? Therefore, so far as clause 21 is concerned, I cannot see what possible objection there can be which can be raised to this proviso. As a matter of fact, the proviso, instead of making it rigid has given power to Government to act in a particular manner that may be suitable at a particular period of time. Therefore, I do not see any objection and I have not been able to follow the objections raised. As regards the interpretation of the proviso, which has been pointed out by my hon. friend Mr. Chettiar, I think there is something to be said for that. But that difficulty can be

me by adding one word at the end of the proviso. As it is, it reads:

"be deemed to be substituted for the percentage specified in this clause;"

Instead of saying "in this clause" I suggest we may say "in this sub-clause" then that will meet the difficulty. I think that will solve the possible objection that may be raised that this provision might cover the whole of this clause. If you make it "sub-clause" that difficulty will be solved. I think that should be done in order to avoid any possible difficulty.

After all, power is being given to the Government and there is no reason why we should not trust the Government to act in the best interests of the country. If we are not prepared to trust the Government, that it will act in the interests of the country, then there are other powers with the Government which will be sufficient to kill the industry and the concerns. In order that that difficulty may also be solved, the addition of the word "sub" before the word "clause" should be accepted.

So far as clauses 106 and 107 are concerned. I do not think there would be any difficulty. After all, the power has been taken by Government to allow particular ships when Government deems fit to do so. I have been trying to follow the objections put forward in the equity capital being allowed to be brought in by the foreigners. I for one would welcome such foreign capital because if such capital comes, that will mean so much of help in the present difficult financial conditions of the country. There will be no strangle-hold or strings also. As a matter of fact, when loans are given, they come along with strings but certainly not equity capital. When it comes on the usual terms on which equity capital is given, there is no string.

With these words, I support the Bill and I hope Government will not allow the proviso to be removed. On the contrary, I thought that the hon.

Minister will be bold enough to say that he would welcome equity capital. It may be that no foreigner will be interested with this kind of power in the hands of the Government of India but if anybody is prepared to come, that capital ought to be accepted.

SHRI ROHIT M. DAVE (Bombay):
Mr. Deputy Chairman, I shall begin by drawing attention to the preamble which has been added to this Bill by the Joint Select Committee which says, "...to foster the development and ensure the efficient maintenance of an Indian mercantile marine, etc., etc., etc." Sir, when the Joint Select Committee went into this Bill and considered the various provisions thereof, it thought it fit to change the name of the Bill by introducing a preamble which would define very clearly the purpose of this particular Bill and that preamble now being part of the Bill, it is necessary to see if the purposes that are mentioned in that particular preamble are served by the actual provision of the Bill or not. Sir, the first question that would come to the mind of any one is a question which has been debated rather at length in this House as well as in the other House, namely, the definition of Indian shipping. I have no desire to dwell at length on this aspect because all the various points of view have already been mentioned regarding the same. As I was hearing the debate, Sir, I felt a little bit bewildered by some of the remarks both of the hon. Minister and some of the Members of the House and I think it my duty to express that bewilderment in clear terms on the floor of this House. Firstly, Sir, it is very difficult to find out exactly what the hon. Minister had in mind when he accepted the particular amendment in the proviso. I have read, Sir, very carefully the speech that he made in the other House and therein he says that he himself was for cent per cent. Indian shipping and that there should be no foreign equity capital and that sentiment was expressed by him on the floor of this House also. He has no

[Shri Rohit M. Dave.]

objection to getting loans but he would try to see that, as far as possible, equity capital was not brought in. The Joint Select Committee following the Policy Resolution of 1947, had laid down the ratio of 75 to 25. One other argument the hon. Minister advanced in accepting the particular amendment was that this proviso cut both ways; it would enable him to reduce the particular ratio as well as to increase that particular ratio and his sentiment being in favour of reducing foreign capital, he welcomed this particular amendment. Reading clause 21, however, Sir I find it difficult to appreciate this part of his argument because clause 21 definitely says,—

“(b) a company which satisfies the following requirements namely:—

(i) the principal place of business of the company is in India;

(ii) at least seventy-five per cent. of the share capital of the company is held by citizens of India;”

If it was the desire of the hon. Minister to take advantage of this, if his desire was that he should be in a position to reduce the equity ratio permissible under the definition of this particular clause, then he ought not to have accepted this proviso at all because there are the words “at least seventy-five per cent.” which definitely means that 75 per cent. is the minimum. It does not say that 75 per cent. is the maximum. In that case, even without the proviso, if that was his policy, he could have said that 100 per cent. capital should be Indian.

Secondly, Sir, the question of foreign capital has also been raised here as well as the manner in which that capital should come. I was a little amused when my hon. friend, Shri Dhage, read some of the extracts from the evidence tendered by the shipowners who happen to be the industrialists and the capitalists in this country. As we read the finance

magazines and the magazines run by the capitalist section of our country, we find almost every day the same sentiment expressed, namely, that foreign equity capital should be invited to this country, that our taxation structure should be so changed that foreign equity capital might come into this country, that our industrial and economic policy should be so changed that equity capital might be attracted to this country, that our policy of control and regulation should be so changed that foreign equity capital might be attracted to this country, etc., but, when it came to the question of Indian shipping, somehow or other, their sentiments have changed and in this particular case, they do not want equity capital to come; on the other hand, they want the equity capital to be kept out.

SHRI V. K. DHAGE: Foreign equity capital.

SHRI ROHIT M. DAVE: Yes, foreign equity capital. I am happy that at least there are some sectors in industry in which the industrialists themselves find foreign equity capital rather unacceptable. The question whether a loan is desirable or equity capital is desirable has been argued on the lines that if it is a loan, then you have to pay interest and, therefore, you require foreign exchange. I do not understand what happens in the case where foreign equity capital comes unless it is taken for granted that no shipping company will make any profit. Assuming that shipping companies do make profit—and foreign equity capital will be attracted to this country only if shipping companies are expected to make profit—then certainly dividends will have to be declared and these dividends will have to be sent out. If it is a question of choice between loan and equity capital, it is more likely that we would require lots of finances; if it is a loan to pay by way of interest and if it is equity capital, we have to send out large amounts of dividends. Anwar, Sir, Government has declared its policy quite clearly at least for the time being, namely, that they are not very anxious to have foreign equity

capital and I fully support that particular policy and hope that Government will stick to that policy. The question, therefore, is whether there are other provisions in this Bill which support the general purpose, namely, the development of Indian shipping. It is in this connection, Sir, that we come firstly to Chapter V, Part II, which deals with the National Shipping Board. While I tried to read this Part II, I was hoping that Government would have provided in this part of the Bill, very definite measures in order to see that this important industry which, as the hon. Minister rightly pointed out, is very vital not only for the prosperity but also for the defence of our country, was regulated and controlled effectively. When we have got the National Shipping Board I think the functions of that

4 p.m.

particular Board will be so laid down that it may be possible for the Government to effectively regulate and control the entire shipping industry, not how many passengers should be taken or what type of cargo should be taken in a ship or from what port to what port the ship should go, but how the entire shipping industry is managed, controlled and expanded. For example, there is the question of the dividend, how much of the capital will be ploughed back, what will be the conditions governing the management, whether the management is kept up to a particular level of efficiency or not. Sir, we have got on our statute book an Act called the Industries (Development and Regulation) Act, 1951 and I expected that in this particular Bill, as far as this part is concerned, some of the salient features of that Act would be incorporated over here so as to regulate and control effectively the shipping industry. But looking to clause 5 we find that the only function of the Board is "to advise the Central Government on matters relating to Indian shipping, including the development thereof and on such other matters arising out of this Act, as the Central

Government may refer to it for advice." These two particular sub-clauses which define the function of the National Shipping Board do not give any hope that this particular Board will be an effective instrument for regulating and controlling Indian shipping. I would have expected that this particular part would have more clearly defined the functions of this National Shipping Board in such a way that the Central Government would have created in it an effective instrument to control the shipping industry as a whole.

Similarly, Sir, with reference to the Shipping Development Fund which is mentioned in clause 16, there also there are certain provisions which read like the provisions laid down for lending by a prudent lender, who looks to certain conditions being fulfilled before any money is lent to a company. This lending of money also however is not being used as an instrument to effectively control the shipping industry in a direction in which national interests would allow it go. Here was another instrument which could be made an effective instrument if the Government's real intention in bringing this Bill was to see that there was a healthy development of this particular industry. We know, Sir, the past of this particular industry. This industry was just lingering till the Government found it necessary to go to its help, and large sums of money were advanced to the various shipping companies in order to see that they were rehabilitated and put on a sound footing, and two shipping companies had already to be taken over by the Government, and they had to take interest in other shipping companies also. That is the past history of this industry. And it is this industry which is demanding that no foreign equity capital should come to India and that these industrialists should be left to themselves to develop this particular industry. The hon. Dr. Kunzru informed us that any further development of the tonnage or addition of tonnage to our shipping will be

[Shri Rohit M. Dave.]
taking place only with the help of the capital which has been made available to this industry by the Government. That being the case, was it not advisable to see when this money was advanced to this industry, that not merely was the money prudently lent but also a more effective policy control of this particular industry was provided for when this particular clause in the application of the Shipping Development Fund was there.

SHRI P. D. HIMATSINGKA: But are those conditions excluded?

SHRI ROHIT M. DAVE: In the Industries (Development and Regulation) Act we have got very definite provisions; one of the provisions is that the government may tell a particular industry that a certain unit in the industry is not run on sound lines, that these are the necessary changes that ought to be made in the management so that this particular unit may be put on a sound financial basis and the management also may be on sound lines. And if that particular unit does not accept that advice, then the Government under that Act has got a right to take over that particular unit and to run it as a unit in the public sector.

SHRI P. D. HIMATSINGKA: The Industries (Development and Regulation) Act applies to shipping industry and therefore those provisions there apply here also.

SHRI ROHIT M. DAVE: That is perfectly right, but . . .

SHRI RAJ BAHADUR: Sub-clause 16(2) covers that situation. That need not be set out again.

SHRI ROHIT M. DAVE: 16(2) does not mention that, because 16(2) merely deals with giving loans under certain conditions and these conditions need not necessarily be regarding sound management or regarding a particular policy with reference to dividend, etc.

SHRI RAJ BAHADUR: "On such terms and conditions as the Central Government may from time to time specify." We can impose such terms and conditions as the hon. Member is visualizing.

SHRI ROHIT M. DAVE: I understand. My only point is that it ought to have been more specific; otherwise it might only mean that loans are given under certain conditions. All loans are given under certain conditions; no loan is given without any conditions whatsoever. So this might only mean the conditions, the normal conditions when a particular loan is given, and it does not necessarily mean that it would take a more active interest in and a more effective control of the industry as a whole.

Then, Sir, I come to two clauses, namely, 150 and 151 which also are of some importance. They deal with disputes between seamen and employers. Here again, Sir, while, as the hon. Member just pointed out, we have got the Industries (Development and Regulation) Act and the Government is depending upon that particular Act to see that the regulation of the industry is taking place, when it comes to the question of a dispute between the employees on the one hand and the employers on the other, Government does not think it fit to depend upon the general regulating Act which we have in the Industrial Disputes Act; they have not thought it fit to depend only on the Industrial Disputes Act to see that industrial relations prevail between the employees and the employers. Clause 150 makes a very lengthy provision and the meaning of this is that whenever Government apprehends that there is the likelihood of a dispute between the employees and the employers in the shipping industry, Government may refer that particular dispute to adjudication, and the

moment it is referred to adjudication, the general rules and regulations that apply when an adjudication proceeding starts will be applied in this particular case also. It looks on the face of it, Sir, that this particular clause is quite all right, but if we remember one fact, that Government itself is in the status of an owner as far as the shipping industry is concerned, this particular clause acquires rather a sinister purpose, because it would mean that if there is a dispute between the Government—Government as an employer in a shipping Company—and its employees, that even if there is an apprehension that such a dispute is likely to arise, the Government may refer the matter straight to adjudication, without sitting down with the trade unionists round the table to find out if a solution is otherwise possible or not. In this way the principle of compulsory adjudication is being introduced by this particular clause. That principle of compulsory adjudication has been stoutly opposed by the trade union movement in this country and that sentiment of the trade union movement has not been taken into account when this particular clause has been incorporated. But that is not all, Sir. Even where an adjudicator to whom the dispute has been referred has to give the decision, it is here worth while remembering, the adjudicator will be chosen by the Government. So it will not have even the aspect of pure arbitration. Immediately both the sides have got some say in choosing an umpire who will ultimately decide on the dispute that might be between the employees and the employers. In this particular case the Government itself is the employer and it chooses the adjudicator and the award of that adjudicator will be binding on both the sides. Even that is not enough because we are told further in clause 150(5) that on receipt of the award the Central Government shall cause it to be published and the award shall become enforceable on the expiry of thirty days from

the date of such publication. And there is a proviso there:

“Provided that where the Central Government is of opinion that it will be inexpedient on public grounds to give effect to the award or any part of it, it may before the expiry of the said period of thirty days by order in the Official Gazette either reject the award or modify it, and where the Central Government does so, the award shall not become enforceable or shall become enforceable subject to the modifications, as the case may be.”

So the full effect of this particular proviso would be, there may be an industrial dispute and the industrial dispute may be in a company controlled by the Government. In that industrial dispute the Government itself chooses a particular adjudicator; that adjudicator gives a particular award and even after that award has been given it is for the Government to decide whether that particular award should be accepted or rejected. Again it will be for the Government to decide whether it can be modified or not. If it is rejected, well, it goes. If it is modified, the modified award becomes operative and the employees must accept that modified award. What is the use of having an adjudicator at all in that particular case? Why can't the Central Government appoint some person to decide a particular thing in a given way, advise that particular person to give a particular award in a particular manner. If that advice is accepted it is all right. If the advice is rejected, after all they have gone through this formality, they may quietly have their own award and that award itself might become binding merely by being published in the official gazette. This is the full meaning of clause 150. Then there is this clause 151. The moment a particular dispute has been referred to the adjudicator, after that there may not be any strike or any lock-out. That I can understand because that is also the provision in the general Act but

[Shri Rohit M. Dave.]

in this particular case again the Central Government itself being in the position of the employer, it will be possible for it to use this particular clause in a manner whereby it might defeat the general purposes of collective bargaining and the rights of workers to form their own trade union, and to further their own cause and their own interests. I would therefore beg of the hon. Minister to see if even at this stage he cannot make suitable modifications in clause 150 and clause 151 whereby this sting of compulsory adjudication especially in view of the fact that the Government is itself the employer is somehow taken out or if that sting remains, to see that once the award is given the Central Government takes it as binding, and that it accepts that particular award without any modification and without any right of rejection. Thank you.

SHRI J. H. JOSHI (Bombay): Mr. Deputy Chairman, I welcome the Bill as it has been piloted by the hon. Minister in the other House. This is a Bill which has passed through a number of stages and undergone a number of changes also. When a Bill is introduced in a House, the draft of that Bill indicates the mind of the Government or the policy which the Government wants to pursue. Now, when this was first introduced, it was mentioned in clause 12 of that Bill:

"A ship shall not be deemed to be an Indian ship unless—

(a) thirty-three or more shares in the ship are owned by citizens of India; or

(b) the ship is owned by a company."

It clearly indicated that the Indian citizens shall have 51 per cent of the shares and foreign participation would be 49 per cent and in the case of a company it was clear that 100 per cent of foreign capital was also welcome.

[THE VICE-CHAIRMAN (SHRI P. N. SAPRU) in the Chair.]

Now, Sir, this was a sort of a swing from one end to the diametrically opposite end. And it raised a controversy and a sort of confusion which few other Bills in this House have done. When that Bill went into the Select Committee, it had to pass through the fire of the Joint Select Committee and it came out rather purified. The essential changes that were brought about in the Bill were that the share of the Indian citizen was to be entire; it should be wholly owned by citizens of India and if it was to be owned by a company, then 75 per cent of the shares should be that of Indian citizens and 25 per cent that of foreigners. Now, this sort of change, I suppose, was in conformity with the policy that was being pursued since 1947 Policy Resolution. Thereafter, again when the Bill came before the Lok Sabha, it has undergone another change by way of a proviso which has been added to the Bill. That proviso reads thus:

"Provided that the Central Government may, by notification in the Official Gazette, alter such minimum percentage, and where the minimum percentage is so altered, the altered percentage shall, as from the date of the notification, be deemed to be substituted for the percentage specified in this clause."

Here the hon. Minister stated that this minimum percentage can be altered both ways. The percentage can be increased as well as decreased. Now, I suppose the language used in this proviso is rather ambiguous. It tries to reconcile both the schools, one which holds that there should be foreign participation as far as possible and the other school which holds that there should be no foreign participation or as less foreign participation as possible. But the hon. Minister made it rather clear here in this House as well as in the other House that as far as possible the Government did not want to attract or to

encourage any foreign collaboration. The reasons that he stated are clear. Now, I do not find anything wrong with the school that holds that there should be as far as possible foreign collaboration, because I feel—as the Government and also the people feel—that we are short of foreign exchange, that we have difficulties about availability of capital, that our coastline is very long, to the extent of 3,500 miles. We also know that our shipping tonnage is probably the lowest and if I were to cite what our tonnage is compared to other countries, we can know at what low ebb we are standing. Even countries like Turkey, Finland, Brazil, Spain, Canada, Germany, Netherlands, Japan and Norway, although they are very much smaller in size than ours, have tonnage far greater than we possess and I have omitted U.S.A., U.K. and U.S.S.R. which have very large tonnage. Therefore, I feel that about those who hold that we should invite effective foreign participation, I do not think anything is wrong in it, because they also are actuated by a keen desire to see that our tonnage is increased. But one factor only, which is the outweighing factor and which the Minister so clearly stated, is that of defence. Defence is of vital interest to our country since our democracy is still in its infancy. And, therefore, when the consideration of defence and also of security is placed before us, I think it should have all the priority. In respect of defence I would like to quote that India has to safeguard a coastline of more than four thousand miles and in case of emergency it may have to carry men, materials, arms and ammunition across international waters. She may also need national ships to discharge her international responsibilities and obligations. The question which therefore arises is, will the ships under the ownership, control, direction and management of foreigners help the independent Government of India in safeguarding her interests and in fulfilling the responsibilities and obligations in times of war? Again, let us not ignore the lessons

of history. Experience has shown how the British ship-owners stood by their country at the time of the Suez crisis, just as Indians ship-owners stood by their own Government. Unless we are sure that the ships and the manpower that runs them are under the Control of our nationals, it might create a very serious situation for one's country in times of crisis. Had Colonel Nasser not got his nationals to take charge of the ships in the Suez Canal as pilots to carry the ships through the canal, the very sovereignty of his country would have been at stake when the British and the French pilots were called upon by the Governments of those countries to quit the canal and to leave Egypt. This shows how important this factor of security or safety or the defence of our country is.

Now, Sir, the question arises as to what should be done for increasing our tonnage. It has been stated that the Planning Commission has fixed 9 lakh tons as the tonnage at the end of the Second Five Year Plan. At present we own about 6,20,000 tons. Now, some orders have been placed for the construction and the purchase of new ships and it will bring our tonnage to the order of 8,30,000 tons. Now, in view of the small leeway that is left, I suppose it is not difficult to make up for the loss that we feel at present. I think at the end of the Second Five Year Plan we shall be able to fulfil the target that is set before us.

Then, Sir, we have been hearing for some time past that borrowing constantly and continuously from foreign countries has created an impression in those foreign countries that we are a bankrupt country. This sort of feeling which is created in foreign countries hurts our feelings and wounds our self-respect. Therefore, when we have to go out for begging continuously, I think, we should stop it. There is another reason also, that is, the heavy burden of these loans and the interest will

[Shri J. H. Joshi.]

break our back if we do not use properly and for useful purposes those loans which we acquire. I, therefore, feel that this Bill as it has emerged from the Lok Sabha and with the proviso is rather satisfying. I think the stages through which this Bill has passed were rather disquieting. It was like a ship without rudder and without sail, that is being tossed from one end to the other.

THE VICE-CHAIRMAN (SHRI P. N. SAPRU): Well, the hon. Member must bring his remarks to a close. You have exceeded your time. We have a very long list of speakers and I must, therefore, regretfully ask you to bring your remarks to a close.

SHRI J. H. JOSHI: Within two minutes. The ship in the past has been our roving ambassador. It has carried to foreign countries and it has conveyed to our country also the message of peace, of goodwill and prosperity. We wish that the shipping encouraged by our national Government will also play the same role. Thank you.

SHRI JASWANT SINGH: Mr. Vice-Chairman, the hon. Minister made a very forceful speech this morning in moving the Bill. He referred to the history of shipping, saying that at one time we were a big maritime nation, and so on and so forth. As far as the memories of the Members of this House are concerned, we feel that our experience of maritime shipping is rather poor. During the British regime . . .

AN HON. MEMBER: He was referring to ancient days.

SHRI JASWANT SINGH: That is a matter of history. During the British days it could be well understood why Indian shipping did not get much encouragement, because their own interests were involved and they had their own merchant shipping.

Then, Sir, we have seen that during the last ten years or so, since our

National Government came into power, they have also not done much in the line of encouraging the Indian shipping, so far as the mercantile marine was concerned. Therefore, it has to be seen from this standpoint, and we have to give a serious thought to it because the development of Indian shipping has to play a key and vital role in our national economy.

Then, Sir, we would also see that we have had two Five-Year Plans, and in these two Five-Year Plans we did not give the important place to the mercantile marine which we ought to have given. In the First Five-Year Plan the original allocation was only Rs. 18 crores. Subsequently this was raised to Rs. 26 crores, and the money actually utilised was Rs. 20 crores during the five years. Government was prepared to give to the shipping companies subsidy up to 85 or 90 per cent on very easy terms of interest, but even that was not taken advantage of by the shipping companies. In the Second Plan, again, about Rs. 45 crores have been allocated, and from this we can see that even during these two Five-Year Plans the merchant shipping did not occupy a place of importance in our economy.

Then, Sir, before the First Five-Year Plan started, the Indian Mercantile Marine consisted of 3.9 lakhs G.R.T. Then after the completion of the First Five-Year Plan it came to 4.79 lakhs G.R.T. Now in the Second Five-Year Plan our target is for 9 lakhs G.R.T. We are doubtful whether this target will be achieved. Therefore, Sir, this measure has to be considered as to what extent this is capable of fulfilling our national objective of building up a strong and powerful merchant navy. What is our objective? Our objective is to cater to the needs of coastal trade, to secure an increased overseas trade and to build up a tanker fleet. With our development programmes under the Plans, by 1961 we will have a huge cargo and trade to cope with as a result of our increased export and import and the minimum requirement for this purpose by 1961

would come to about 2 million G.R.T., and the rough expenditure to obtain this target of 2 million G.R.T. would come to about Rs. 300 crores. Therefore, in this context it has to be seen whether our merchant shipping or the Government are in a position to spare all these funds, whether they can have a merchant marine of these dimensions. We have to see whether in these circumstances we should proceed with the development of the merchant shipping with the object of reaching 2 million G. R. T., or whether there should be no development at all. If we do not have the capacity to develop to this extent, then our country will have to suffer, our economy will have to suffer, and there will be no development at all. In these circumstances we will have to see what is to be done.

Now, Sir, to come to the provisions of the Bill, the discussions have revealed that there are four points in this huge Bill running to more than four hundred clauses. Amongst those four points, the main point is what constitutes an Indian ship. This pertains to clause 21. The main argument has centred round this crucial point, not only in this House but in the other House also. Therefore, I would now come to this important point. In regard to this point various arguments were advanced, and we heard from the hon. Minister this morning that he was totally against foreign capital participation. Sir, in the evidences before the Joint Select Committee also there were different and divergent views expressed, and eventually it was settled on the basis of the policy adumbrated in the resolution of 1947 that there should be 75 per cent Indian capital and 25 per cent foreign capital. So, the principle of foreign capital participation has been accepted, and having accepted that principle, we will have to see to what extent we should have foreign capital. Sir, it will also be seen that this industry is a very lucrative industry. During the last year the Scindias derived a profit, after making provision for depreciation and other taxes, to the tune of Rs. 220.57 lakhs. As against

this the Eastern Shipping Corporation which is in the public sector got Rs. 63.67 lakhs. It will also be noticed that since 1947 when the resolution was passed and when this proposal about equity capital was endorsed, no foreign capital came to our Indian shipping industry. Therefore, it is not expected ordinarily that under the present conditions also any foreign capital would be forthcoming.

Then Sir, there was a lot of controversy as to the proportion of Indian capital and foreign capital. Mr. Sekhar referred to the United Kingdom, the United States of America, Japan and West Germany who developed their mercantile marine with their own capital. But in our present conditions of development, we cannot compare ours with the conditions which prevail in countries which he has quoted. According to our own economic conditions, we can see whether we can spare something like three hundred crores of rupees from the Government as well as the industry and whether we can have, with our increased cargo both for import and export, something like two million G.R.T. Obviously, it cannot be done. The Minister very emphatically said that he would not allow equity capital to come in and said that though a provision has been made for a ratio of 75 and 25, the provision made in clause 21 makes it possible to increase or decrease the ratio, both ways. But he assured the House that under no circumstances would this be increased. In that case, the question that we have to ask is whether they believe in developing the merchant shipping or they do not. So far, their attempts have been very lukewarm in the Five Year Plans, for the last ten years after independence. But they had to admit that it was certainly going to play a very important part. Some Members also referred to it as the second line of defence. It is not necessary for me to say anything about the second line of defence because it will be many more years before our merchant navy can play the part which

[Shri Jaswant Singh.]

in foreign countries, particularly in the United Kingdom and the United States of America, their merchant navies play at the time of a crisis. We will have to go very far before our merchant navy can be effective as the second line of defence. But at the same time, for imports and exports, in order to develop our economy, we require a very strong merchant navy. Otherwise, we will have to depend on foreign ships. They earn all the profits and we lose also a lot of foreign exchange. Therefore, it is absolutely necessary in our own interest that the merchant navy should be increased to a very great extent and very rapidly. But we do not have the wherewithal either with the Government or with the merchant shipping companies. Therefore, we have to fall back upon foreign participation whether we like it or not.

My friend, Shri Dhage, said that there should be no foreign participation at all. Well, if we can afford to do that, nothing would be better. My friend, Shri Sekhar, just now referred to those big countries who have their own merchant navies which play a very big part there. But, according to me, it is almost impossible that we can find this wherewithal. In the circumstances, some foreign participation becomes absolutely necessary if we have to do justice to this industry.

Then the question centred around whether we should have the equity capital or we should take loans. The intention of the Government of India is definitely in favour of loans to be taken. I entirely agree with my hon. friend, Shri Himatsingka, in this point as to how far we will be going as far as getting loans from foreign countries is concerned. Already, we have contracted loans to the tune of a thousand crores of rupees. We have to pay nearly, as he said, a hundred crores a year by way of return of capital plus interest on the loans that we have taken. Other development programmes in the Five Year Plan are also before us. Where

can we find the money? He also raised the question—what is the difficulty in having foreign equity capital. I entirely agree with him that if we are to go in for foreign capital, then every time it is in our interest that we go in for equity capital. Certainly, when the dividends are declared—this industry is also lucrative—they will be repatriated to foreign countries. But this is Hobson's choice which we cannot help, if we want to develop our shipping industry. It has to be developed and developed at a very heavy cost whether we like it or not. In this connection, the conditions that we can lay and which will safeguard our interest have been adequately provided in this Bill. If foreign equity capital comes at all, well, it must be welcomed. Also, there is another alternative and that is that we have already nationalised the railway transport, the air transport and also the road transport and the bus services. And in due course of time when the marine transport assumes dimensions according to our needs, we can have a condition having given them guarantees for a number of years, 20 or 25 years, during which the development takes place—that we may even nationalise the industry and that whatever equity capital has been invested in our country, in regard to it we will have rights to purchase the shares and as far as the Indians are concerned, they can continue because we believe in mixed economy.

THE VICE-CHAIRMAN (SHRI P. N. SAPRU): I regret to draw your attention to the fact that you have exceeded your time.

SHRI JASWANT SINGH: I am sorry, Sir. You never gave me an indication. I will finish just now, in two or three minutes. I thought that I will be given notice by ringing the bell. But since you have now given me notice, I will wind up my speech quickly.

Therefore, I feel that, if we are in a position to have our own merchant shipping at our cost whether

with the funds provided by the Government or by the industry itself, there is nothing like that and that should have priority. That should be the first point in our national honour as well as in our own interest. But this is impossible for us in the present circumstances. Therefore, the only other alternative is that we have to go in for foreign participation, even if a little attraction has to be given to draw foreign equity capital in our country. We cannot go by sentiments. We cannot be allergic to certain courses which we do not like because of sentiment. If we want to be practical we have to think of these things.

There are three or four points. But since the time is over, I have been able to deal only with these things.

SHRI H. P. SAKSENA: Sentiment plays a very important part in human life.

SHRI P. S. RAJAGOPAL NAIDU: Mr. Vice-Chairman, I should congratulate the hon. Mover of this Bill for the way in which he had moved the Bill. He had infused confidence in us and also there was dynamism and force in his moving the Bill. This Bill which consolidates for the first time the laws relating to Merchant Shipping provides amongst other things, the setting up of a National Shipping Board and also a National Register. Under the National Register, Indian ships would be registered and under the Shipping Board which will be an advisory body, Members of Parliament also would play their part. The third and important provision that is made in the Bill is the setting up of the Shipping Development Fund which ensures loans and financial assistance to shipping companies for the acquisition and maintenance of ships. Then the Shipping Development Fund Committee will be constituted and the Committee will be a body corporate which will administer the Shipping Development Fund. A great controversy had been raised with regard to the definition of the word 'Indian shipping'. There are two extreme views about the

matter. One view is whether there should be any participation of foreign capital at all in the matter of Indian shipping. The other extreme view, that had been expressed by some Members of this House as well as that House is that there should be foreign participation to some extent at least—and whether it is not advantageous to have equity capital in the Indian shipping. I thought that the Select Committee had set at nought the controversy that had been raised with regard to this matter but I find the proviso that has been introduced to clause 21(b) (ii) looks odd to me. Mr. S. K. Patil said, both in that House as well as in this House, that these powers will be used judiciously by him rather for increasing the Indian participation than for reducing it if what Mr. Patil has said is true, then in my opinion, this proviso will be unnecessary and redundant. Why I say that the proviso is unnecessary if the intention of the Minister is to reduce the foreign participation and to increase Indian participation, is, according to me, under clause 21b) (ii), we find that at least 75 per cent. of the share capital of the company is held by the citizens of India. If the foreign participation can be increased under the proviso, then there is no point in sub-clause (ii) remaining the same as it reads, which means that not less than 75 per cent. of the share-capital should be held by the citizens of India. If by virtue of the powers vested with the Central Government under the proviso, the participation of the equity capital of any foreign concern is to be increased, then I feel there is no meaning in the way in which this sub-clause (ii) reads, namely:

“at least seventy-five per cent. of the share capital of the company is held by citizens of India;”

So my feeling is, that the proviso does not go well with the intention of the hon. Minister. So I want the Minister to clarify this position and I am sure that in his reply he will be able to do so.

SHRI P. D. HIMATSINGKA: What is your suggestion?

SHRI P. S. RAJAGOPAL NAIDU: My suggestion is, if the Minister intends that the proviso will be used to increase the Indian participation and reduce the foreign participation, there is no meaning in the proviso at all. If it is both ways, there is some meaning in it but if it is only in one way namely, to increase Indian participation, then there is no meaning in it. I want the Minister to consider about this very carefully but the most important factor that we have to think of is the development of Indian shipping to such dimensions as to make the total merchant fleet look impressive and to take its right place in the maritime powers of the world. There is no use of pondering over or repeating our past glories but it has to be admitted that several centuries back India remained a great maritime power in the world and South India was noted for the manufacture of ships and the South Indian culture had spread to several countries in South East Asia, to Indonesia, Malaya and other countries, as a result of the maritime power which our country had in the good old days.

An impression has gained ground that the only bottleneck in the expansion of tonnage is, one, the foreign exchange and two, the problem of manning the ships. I quite understand from what the Minister had said, that there is an offer of one million yen credit from Japan and that is not being made use of for the simple reason that adequate technical personnel will not be available to man these ships. It will take, in my opinion, one or two or three years to get the entire ships under this 100 million aid scheme. By that time my opinion would be, we will be in a position to train up all our personnel. I feel that our aim should not be merely achieving the target of 9 lakh tons by the end of the Second Five Year Plan but our aim should be, if possible, to

increase to 1½ million tons even by the end of the Second Five Year Plan. After all we now carry only 10 per cent. of our foreign trade with our ships.

SHRI V. K. DHAGE: 6 per cent.

SHRI P. S. RAJAGOPAL NAIDU: Yes and if aid is available, we can certainly make use of it and increase our tonnage not to 9 lakh tons but even to 15 lakh tons.

With regard to training facilities, I am sure that sufficient marine engineers and seamen of all cadres will be trained so that they will man the ships when they are with us. So the controversy, namely, whether foreign participation will be necessary or not, is the only important matter in the entire Bill. I am of opinion that in this transitional period, in this developmental period we should not completely exclude the foreign participation. The Minister said that we can borrow loans for increasing our tonnage. We know to what extent we have been borrowing and it is repeatedly said, that it will be rather difficult for us to repay the loans and this difficulty will be felt at the beginning of the Third Plan. So there is no harm in inviting the equity capital and I shall give my reasons as to why we should not exclude the foreign capital participation in the ship-building industry in the country. No doubt we are committed to 100 per cent. ownership, control and management by Indian nationals. Nobody denies that.

THE VICE-CHAIRMAN: (SHRI P. N. SAPRU): I suggest that we sit for another half-an-hour because we have a long list of speakers and we may not be able to finish all of them tomorrow.

SHRI RAJ BAHADUR: We would also like to take some time

SHRI H. P. SAKSENA: Will you invite the opinion of Members of the House? The House is, to my mind, not agreeable to sit longer.

THE VICE-CHAIRMAN (SHRI P. N. SAPRU): I will invite the opinion of the House. Those who are in favour of extending the time by half-an-hour may raise their hands.

(No hon. Member raised his hand.)

THE VICE-CHAIRMAN (SHRI P. N. SAPRU): May we allow Mr. Naidu to finish?

(No hon. Member objected.)

5 P.M.

SHRI P. S. RAJAGOPAL NAIDU: I will take only five more minutes.

THE VICE-CHAIRMAN (SHRI P. N. SAPRU): Very well. I hope the House will allow that much extension.

SEVERAL HON. MEMBERS: Yes, yes.

SHRI P. S. RAJAGOPAL NAIDU: Sir, Government are committed to the principle of cent percent ownership, control and management by Indian nationals. That is our objective. But nobody in this House would deny that this complete nationalisation will entail a period of transition. This transition is indispensable for bringing vitality, stability and dynamism to Indian shipping industry. Therefore, my opinion will be that some practical modification will be required in the existing policy and the insistence on total national ownership and control is to put the cart before the horse. Certain fears have been expressed that foreign capital will introduce divided loyalties and so on, that it will be detrimental to Indian national shipping. Fears have also been expressed that the investment of foreign capital would take away the national character of our Indian shipping. Also fears have been expressed that the merchant shipping being our second line of defence, in times of emergency, the matter should be very seriously thought of. But as Dr. Kunzru has rightly pointed out, there is provision for compulsory registration and when a ship is

brought on the national Register, it is subject to the Indian shipping law. It is subject to all the essential regulations and restrictions laid down in the present law. These include the routes to be plied by the ship, the ports to be visited, the class of cargo the ship can carry, the type of passengers which the ships have to carry and so on. It may be asked, in times of emergency, what is to happen if the ships are in mid-sea? My answer to that would be this. I want that even if there is any kind of foreign participation in the equity capital, the Indian ship should be entirely controlled by Indians, that right from the captain of the ship down to the lowest in the crew, all the posts should be manned by Indian nationals. Even if there is foreign participation up to 25 per cent, the Indian ship should be completely manned by Indians, that in the ship from the captain right to the man in the lowest cadre should be only Indians. It should be fully manned by Indians. If that is so, then there is absolutely no danger of our ship drifting into the enemy's harbour in times of emergency. So that will solve this problem.

We cannot certainly build up our economy with loans borrowed. Therefore, let us face this issue boldly and squarely. Then let us consider if we can get so much of foreign exchange to complete the balance of tonnage. In my opinion there is not sufficient foreign exchange available and it will also be difficult to find the resources. Even the self-financing scheme that has been explained, in my opinion, will not be very helpful in the building of ships. After all, even under the deferred payment arrangement, we have to pay 30 per cent advanced and I think, even this 30 per cent we cannot find in foreign currency and that will be a difficult problem. Under the self-financing scheme, the amount has to be repaid in 3 years. Can our ships earn so much as to repay the entire amount in three years? Therefore, considering all these things, I feel that those persons who generally express

[Shri P. S. Rajagopal Naidu.]

fear that if there is foreign participation there will be danger to the country in times of emergency, they should give up their fears. In this transitional period we must think of foreign capital and not of borrowing money in order to build up our shipping industry.

Then there is another point which I would like to mention, and with that I will end my speech. Whether it be in the public sector or in the private sector, when we place orders for any goods in any foreign country, a sort of condition should be laid down in the import licence that as far as possible, the goods to be imported from the foreign country should be shipped only through Indian ships. I find there is no such hard and fast rule observed either in the public sector or in the private sector. I find even when several crores worth of materials have been imported by the Government they do not insist on these goods being carried by Indian ships. Similarly, in the private sector, when import licences are issued, it should be laid down as a condition that the goods should be imported from the foreign countries only in Indian ships. That is the way to encourage Indian shipping and that is also the way to

save foreign exchange. If an account is taken, I am sure it will be found that lakhs, if not crores worth of foreign exchange had been wasted by the Government by not insisting on this condition and it is high time that the Commerce and Industry Ministry cooperates with the Communications Ministry to see that at the time import licences are issued by the Commerce and Industry Ministry, a condition is laid down in the import licence that the goods, to be imported, may be under f. o. b. or c.i.f. contract, from foreign countries, will as far as possible, be imported only through Indian ships. If this principle had been observed, I am sure several crores worth of foreign exchange could have been saved. Even now it is not too late. Let the Government of India consider this suggestion and see if there is any sense in it and if they find any, they can accept it.

THE VICE-CHAIRMAN (SHRI P. N. SAPRU): The House stands adjourned till 11 A.M. on Tuesday, the 23rd September, 1958.

The House then adjourned at seven minutes past five of the clock till eleven of the clock on Tuesday, the 23rd September, 1958.