

**INDIGENOUS ENTERPRISE UNDER COLONIAL CONSTRAINTS:
A CASE STUDY OF THE SCINDIA COMPANY'S EFFORTS
TO DEVELOP THE INDIAN SHIPPING AND SHIP—
BUILDING INDUSTRY : 1923—52**

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MASTER OF PHILOSOPHY

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Certified that the dissertation entitled "INDIGENOUS ENTERPRISE UNDER COLONIAL CONSTRAINTS : A CASE STUDY OF THE SCINDIA COMPANY'S EFFORTS TO DEVELOP THE INDIAN SHIPPING AND SHIP-BUILDING INDUSTRY : 1923-52" by Ms. Mona Mohanty in partial fulfilment for the award of the Degree of Master of Philosophy has not been previously submitted for any other Degree of this or any other University. To the best of our knowledge this is a bonafide work.

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INTRODUCTION

INTRODUCTION

Transport is an important constituent of economic growth. The shipping and shipbuilding industry occupied an important place in the 'services' sector. In the period under perusal, the development of the 'native' shipping and shipbuilding industry within a colonial structure and the problems faced by it in the course of such development is sought to be examined.

Indigenous efforts in developing this industry had to start from scratch. However, traditionally the scenario had not been as deplorable as it appeared to be in the late 19th and early 20th centuries. Right from ancient times, Indians had carried on maritime trade with different parts of the world. Definite evidence of trade between India and the Western countries in the first century A.D. has been recorded in a book written by a Greek sailor and called The Periplus of the Erythraean Sea.¹ Important trading relations with the Far-East have been alluded to in Indian literary texts like the Jatakas and the Kathasaritsagara.²

1. R.C. Majumdar, H.C. Raychaudhuri and Kalikinkar Datta, An Advanced History of India, Delhi, 1982 reprint, p.202.

2. Ibid., p.206.

Commercial connections with the distant regions of Europe, the Malay Islands and China, as also other countries on the Pacific Ocean continued to be active even during the period of Mughal rule in India.³ Along with shipbuilding Indian shipping registered a significant decline in the British period.

As far as shipbuilding in India was concerned its origins, too, dated back to early times. There is a reference to methods of construction and repair in the 13th century by Marco Polo.⁴ This tradition reached its zenith in the middle of the 19th century when even the requirements of the British Indian Navy were met by a family of master builders, the Lowjee Wadias of Bombay.⁵ Frigates like the

3. Ibid., p.568 and Sumati Morarjee, 'Indian Shipping through the Ages', in N.G.Jog (ed.), Sumati Morarjee Felicitation Volume - Service to Indian Shipping, Bombay, 1970, p.131.
4. Rear Admiral B.A. Samson, 'Modern State of Shipbuilding in India', in N.G. Jog (ed.), Sumati Morarjee Felicitation Volume - Service to Indian Shipping, p.69. Indirect references to the existence of the practice of shipbuilding in India were also made by travellers from Egypt and Syria, as well as, in the accounts of Alexander's Indian Campaign.
5. Rear Admiral B.A. Samson, op.cit., p.70; Sumati Morarjee, op.cit., p.132; A.H. Maru, Indian Shipping since Independence, Bombay, 1969, p.5; Asoka Mehta, Indian Shipping - A Case Study of the Working of Imperialism, Bombay, 1940, p. 18 and R.K. Mookerjee, Indian Shipping - A History of the Sea-borne Trade and Maritime Activity of the Indians from the Earliest Times, Bombay, 1912, p.244.

"Cornwallis" and the "Wellesley" were built, in 1813 and 1815 respectively, by this family - each ship having a displacement of 1750 tons and with a fire power of 74 guns.⁶

But, in the years following the 1850's, Indian shipbuilding registered a decline due to two reasons. Firstly, it could not keep pace with the technological developments coming in the wake of the Industrial Revolution in Europe - the Indian shipbuilders who constructed in timber lagged behind their European counterparts who developed and constructed steel ships.⁷ Secondly, the majority in the Court of Directors of the East India Company (on which sat a number of British shipbuilders and shipowners) resented the attitude of the East India Company in preferring Indian built ships over British built ones. Consequently, due to the constant pressure exerted by this powerful bloc in Parliament, the East India Company was authorised not to use Indian built ships after 1815.⁸

6. Rear Admiral B.A. Samson, op.cit., p.70 and D.L. Neogy, 'Shipbuilding in India', The Modern Review, Calcutta, January 1941, p.61.

7. H.M. Trivedi, Indian Shipping in Perspective, Delhi 1980, p.4 and Rear Admiral B.A. Samson, op.cit., p.70.

8. Sumati Morarjee, op.cit., pp. 132-134; Asoka Mehta, op.cit.; p.13 and Walchand Hirachand, (hereafter referred to as WH), 'Why India Wants Her Own Shipping' in India Speaking, American Academy of Political and Social Science, U.S.A., May 1944, p.198.

The decline in shipping, in part, caused by the virtual obliteration of shipbuilding, was in a major way greatly aided by the policy of discriminatory protection in favour of the British. The basic terms of the British Navigation Acts in the 18th and earlier part of the 19th centuries proved detrimental to the Indian shipping trade as it kept Indian ships out of British ports.⁹ In India itself, from 1811 the beginning of discrimination could be discerned from the fact that Fort William in Bengal promulgated separate rates of import duties on goods carried by British and non-British vessels the rate for the former being Seven and half percent and that for the latter being 15%. Fort St. George in Madras and Fort St. David in Bombay followed suit in the years 1812 and 1813 respectively. Although these rates operated against the Dutch, the French and the non-British Indian ships, France and Holland succeeded in extracting favourable terms from England through constant warfare, thereby leaving non-British Indian ships as the only sufferers under these discriminatory duties.¹⁰

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9. S.N. Haji, 'A Mercantile Marine for India', New India, Madras, 10 Aug. 1927, Commerce Department, (hereafter Comm. Dept.), Government of India, (hereafter GOI), fl.183-S(2), pt.B, National Archives of India, (hereafter NAI) and Asoka Mehta, op.cit., pp.15 and 26.
 10. Sumati Morarjee, op.cit., p.134; Asoka Mehta, op.cit., p. 20 and T.S. Sanjeeva Rao, A Short History of Modern Indian Shipping, Bombay, 1965, p. 43.

However, the decline in Indian shipping was not markedly evident until the mid 19th century, when the policy of discrimination became intertwined with an attitude of absolute protection and patronage by the Government of India, through subsidies, to organised British shipping lines in India like the British India Steam Navigation Company (hereafter referred to as B.I.S.N. Co. or B.I.Co.) and the Peninsular and Oriental Company (hereafter to be referred to as P&O. Co.),¹¹

Indian attempts in developing the shipping business in this period floundered against the onslaught of British competition. The Tata Line, started by J.N. Tata in 1894, had to close shop in February 1895 and the Swadeshi Steamship Company of Chidambaram Pillai (set up in 1906) lost its entire capital of Rs. 10 lakhs and was forced to go into liquidation due to such invidious measures as deliberate rate-cutting, deferred rebates¹² and, at times, the British Companies were even not above resorting to

11. A.H. Maru, op.cit., p.7.

12. This was a system whereby a combine offered merchants, sending their cargoes on its own ships, a rebate at the year's end on total freight paid by them. If, before the end of the year, any merchant sent his cargo through ships belonging to any other company or combine, he would forfeit the deposit offered by the first combine. This system was devised to prevent new lines from making inroads into the shares of an existing monopoly.

sabotage.¹³ The Government remained immune to all petitions by the Indian entrepreneurs seeking State protection in this regard.¹⁴ This set the trend in the years to follow.

A study in contrast is provided in the efforts of the Japanese Government in developing its own shipping and shipbuilding industry. Right from the Tokugawa era (1603 onwards), the importance of the shipping and shipbuilding industry as a vital component of national defence and an important segment of profitable economic growth was recognised.¹⁵ From the 1880's, and especially after the Sino-Japanese War of 1894-95, the Government did virtually all that it could to prise away coastal shipping from the

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13. Sir Vithaldas D. Thackersay (representing The Bombay Millowners' Association) in Legislative Assembly Debates, (hereafter LAD), Home Department, GOI, Simla, 12 Jan. 1922, Vol.1, p.1540; The Eastern Economist, Delhi, 1 Sept. 1944, p. 250; Notes -Indian Shipping, The Modern Review, December 1922, p.801; Frank Harris, Jamsetji Nusserwanji Tata-A Chronicle of His Life, Bombay, 1958, pp. 92-8; Rajat K. Ray, Industrialisation in India - Growth and Conflict in the Corporate Sector, Oxford University Press, Delhi, 1979, p.94; G.D. Khanolkar, Walchand Hirachand, Man, His Times and Achievements, Bombay, 1969, pp. 59-60; A.H. Maru, op.cit., pp.6-8 and T.S. Sanjeeva Rao, op.cit., pp.67-73.
 14. G.D. Khanolkar, op.cit., p.236 and T.S. Sanjeeva Rao, op.cit., pp. 69-70.
 15. Yasuzo Horie, 'Enterpreneurship in Meiji Japan', W.W. Lockwood (ed.), The State and Economic Enterprise in Japan, New Jersey, U.S.A., 1965, p. 183.

control of foreigners and transfer it to native hands - the state bought and built ships, as well as encouraged private enterprise through subsidies.¹⁶

It was the Scindia Steam Navigation Company (hereafter to be referred to as Scindia Co.), established in 1919 by Walchand Hirachand, that was responsible for the attempt to launch, once again, an independent indigenous shipping and shipbuilding industry in India in the colonial period. The industry was developed 'in the teeth of intense opposition by British vested interests'. Constant struggle had to be waged by this enterprise in demanding administrative steps to control 'unfair' competition, while the colonial government followed the pattern of 'social discrimination' in favour of their own countrymen. The slow growth of this industry was due to official indifference or hostility. The progress of this industry like that of all other indigenous capitalist growth was 'inspite' of the role of the colonial structure rather than facilitated by it.¹⁷ The colonial

16. G.C. Allen, The Japanese Economy, London, 1981, p.5; Jon Halliday, A Political History of Japanese Capitalism, New York, 1975, p. 56; B.C. Tandon, Economic Development of Developing Countries, Allahabad, 1969, pp.611-13 and Angus Maddison, Economic Growth in Japan and the U.S.S.R., London, 1969, pp. 28-38.

17. Aditya Mukherjee, 'Indian Capitalist Class: Development during 1927-47', S. Bhattacharya and R. Thapar (ed.), Situating Indian History, Oxford University Press, Delhi, 1986, p.249.

administration was not willing to help such a rival industry in the colony.¹⁸ The continued efforts on the part of the Walchand group to maintain their hold in the industry will demonstrate that the 'shortage of entrepreneurial capability' argument put forward by a section of economic historians¹⁹ was fallacious. The confrontationalist nature of Indian big businessmen vis-a-vis the colonial state and foreign enterprise, in their attempt to enter areas which affected British interests, will be markedly evident in the course of this study.

18. Bipan Chandra, Nationalism and Colonialism in Modern India, New Delhi, 1979, p.151.

19. E.g., L.C.A. Knowles, 'Economic Development of the British Overseas Empire', see, A.K. Bagchi, Private Investment in India, 1900-39, Cambridge, 1972, p. 20.

CHAPTER - I

The Scindia s and the Growth of Indian
Shipping-I : 1923-1928

Chapter I

THE SCINDIAS AND THE GROWTH OF INDIAN SHIPPING - I (1923-28)

The year 1923 witnessed the signing of the First Tripartite Agreement between the Scindia Co. and Lord Inchcape, the representative of British Shipping interests. Prior to this, the Scindia Co., which had been formed in 1919,¹ had struggled to keep its head above water in the face of numerous difficulties following it through the years. The Company was established at a time when, in the period spanning the years from 1860-1925, the majority of the 102 shipping companies set up in India, with a total nominal capital of about Rs.46 crores, were driven out of the trade by British vested interests;² a fact which was not

1. 'The Scindia Steam Navigation Company', Walchand Diamond Jubilee Commemoration Volume, 1942, Walchand Hirachand Papers (hereafter to be referred to as WH Papers, fl. 75, pt (a), Nehru Memorial Museum and Library, (hereafter NMML), New Delhi; K.V. Hariharan (ed.), So I Rest on My Oars, A Collection of Writings and Speeches of M.A. Master, 1947-70, Vol 1, Bombay, 1977, p. vii (foreword); G. D. Khanolkar, WH, Man, His Times and Achievements, p.63 and Rajat K. Ray, Industrialisation in India, Growth and Conflict in the Corporate Sector, p.96. The Scindia Co. was registered on 27 March 1919 with a nominal capital of Rs.45,000,000 and after 4 months the amount was oversubscribed.
2. 'The Scindia Steam Navigation Company', in Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl. 75(a), NMML; WH to Lord Wavell, 14 Aug. 1944, M.A. Master Papers (hereafter MAM Papers), fl.160, NMML and Bombay Chronicle, Bombay, 24 Feb. 1923.

denied by the Britishers themselves -for Sir Alfred Watson (Editor, The Statesman) in his evidence before the Parliamentary Joint Select Committee on the Government of India Act stated in 1933:³

I recognise that India company after Indian company, which endeavored to develop a coastal service, has been financially shattered by the heavy combination of British interests.

Given this, it was not surprising that the share of Indians in the coastal and overseas trade of India was miserable, indeed- it was a mere 5% of the total trade upto the First World War.⁴ Thus, the lion's share of the trade had passed into the hands of non-Indians.

It was amidst such deplorable conditions that the Scindia Co. came into being. But worse was to follow. The Company acquired the ship named 'Loyalty', which was used as a hospital ship during the First World War, from the Maharaja of Gwalior at a price of Rs. 25 lakhs.⁵ Upon

3. The Scindia Steam Navigation Co., in Walchand Diamond Jubilee.....Volume, 1942, WH Papers, fl. 75(a), NMML; The Eastern Economist, 1Sept. 1944, p. 250 and Asoka Mehta, Indian Shipping - A Case Study of the Working of Imperialism, p.49.

4. Rajat K. Ray, op.cit., p.95 and G.D. Khanolkar, op.cit., p. 173.

5. Memorandum (hereafter to be referred to as Memo.) of a meeting at Sir William Bull's (of Messrs. Bull and Bull, Solicitors) offices, 25 June 1925, WH Papers, fl.588, NMML and K.V. Hariharan (ed.), So I Rest On My Oars of M.A. Master, Vol.1, p. vii. (foreword).

enquiries, it was revealed that the cost of repairing and reconverting the 'Loyalty' into a passenger liner would be quicker and cheaper in England than in India;- it would cost Rs.1 lakh or Rs. one and half lakhs and take six weeks in England, while in India it would take 6 months and cost Rs. 10 lakhs.⁶ However, upon reaching England it was found that no firm was willing to undertake repairs. Only after a prolonged search, was such a firm found and, that too, one which had a personal rivalry against Lord Inchcape, the baron of British shipping. Lord Inchcape was responsible not only for creating obstacles in this matter but in addition, he also threatened agents, who were approached by Walchand to undertake shipping operations with dire consequences, if they took up the latter's work, and to be prepared to lose the rebate that he (Inchcape) offered in order ^{to} carry out his work.⁷

The moment the Scindia Co. pressed into operation its shipping services, there began a rate war against it in right earnest. In the rice trade between Bombay and Rangoon, the B.I.Co. began their customary policy, in the face of competition, of progressively lowering their rates. The rates plummeted from Rs.20 to Rs.6 per ton. Deferred rebates

6. G.D. Khanolkar, op.cit., p. 65.

7. Ibid., pp.65-66 and Rajat K.Ray, op.cit., pp. 96-97.

of those merchants who had associated themselves with the Scindia's were cancelled.⁸ However, the British Government turned a blind eye to petitions by the Scindia's to help them in entering the coastal trade.⁹ The colonial Government would not dream of aiding an indigenous company which would threaten British monopoly. Therefore, in line with this policy, the Government did not grant a concession in the form of accepting a tender put up by the Scindia's for carrying two lakh tons of coal from Burma to Calcutta. The contract was awarded to a British firm for ten years at rates which were kept secret.¹⁰ This provided an ample view of the way the colonial policy was oriented; British progress at the cost of the Indians! In marked contrast, India paid large sums annually in the form of subsidies to the P&O. and B.I. companies for carrying mails to and fro

8. 'The Scindia Steam Navigation Company', in Walchand --- Volume, 1942, WH Papers, fl. 75(a), NMML.
9. The Modern Review, December 1922, p.801.
10. Ibid., p.802 and G.D. Khanolkar, op.cit., pp. 178-80. This 'secret' was kept on grounds of public interest, as stated by the Government. Mr. Narottam Morarjee, the Chairman of the Managing Board of the Scindia Co., however tore this statement into shreds. As reported in The Modern Review of December 1922, he is stated to have questioned the Government as to whether the 'public interests' were European or Indian. In addition, he pointed out that such a carriage did not require special boats nor did it justify a ten year contract. The reason, he averred, was that the Government did not want the Scindia Co. to have their legitimate share in this regard.

between England and India, as well as, Indian mails in Eastern waters, including parts in India and Burma. In reply to a query in the Legislative Assembly on 13 September 1927, the Government stated that the subsidy payable to the B.I.S.N.Co. annually was Rs.15,18,000 while a sum of \$ 22,000 was paid annually to the British Government as India's share of the subsidy payable to the P&O Co. for carriage of mails.¹¹

Tired, perhaps, by the dogged persistence of the Indians in facing the hostility of the British vested interests and also considering the prospect of this quarrel continuing for an indefinite period, Lord Inchcape made, what he thought was, a very tempting offer, to buy up the Scindia's. Lord Inchcape was prepared to give in exchange for every share of the Scindia Co., rupees twelve and half in cash and rupees twelve and half in six and half per cent cumulative preference shares of the B.I. Co., free of British income-tax. Promises of large sums of money were made to the agents and Directors of the Company.¹² But the shareholders

11. LAD, 13 Sept. 1927, Vol.IV. p. 4201 and Bombay Chronicle, 10 Apr. 1923.

Until the statement made on the floor of the House in 1927, the Government had denied that 'carriage of mails' was aid to the companies carrying it. It was supposed to be a 'business transaction' It cannot, however, be denied that the Indian Company concerned was not even allowed to submit its tender.

12. G.D. Khanolkar, op.cit., pp.184.

of the beleaguered company were not willing to capitulate. They unceremoniously rejected the offer, motivated, as it were, by the plea of Narottam Morarjee (the Chairman of the Managing Board of the Scindia Co.) to give a thought "not to immediate personal gain" but to the effect that the sale of the Company would have on the industrial life of the nation.¹³ The Scindia's had won the first round.

But, if things had reverted back to their original state, it would have been difficult to survive in the face of ensuing rate wars and deferred rebates. Therefore, it was necessary to come to some sort of a compromise, if the Scindia's were not to be wiped out. It appeared that Lord Inchcape was willing to enter into negotiations because the atmosphere in the country, what with the increasing clamour for the Indianisation of the coasting trade, was not conducive to a head-on confrontation. Such a course could have harmed British interests.¹⁴ Consequently, an agreement was signed, on 14 March 1923, between Walchand Hirachand and Lord Inchcape, for a period of ten years.¹⁵

13. 'The Scindia Steam Navigation Co.' Walchand Volume, 1942, WH Papers, fl.75(a), NMML and Bombay Chronicle, 14 Feb. 1923.
14. Note on the Tripartite Agreement, Comm. Dept, GOI, 17 June 1938, fl.20-M.I.(7)38, pt.B., NAI.
15. Ibid.; 'The Scindia Steam Navigation Company', WalchandVolume, 1942, WH Papers, fl.75(a), NMML and Bombay Chronicle, 17 Mar. 1923.

This Agreement which the Scindia's had to sign in order to survive was an extremely 'one-sided' one, extensively favoring the British parties. In fact with its resources heavily depleted due to the freight wars and facing an astonishingly unsympathetic Government, the Scindia's had no choice but to accept, what they termed, "a slave bond".¹⁶ Although the Company had started with a fleet of seven steamers aggregating about 630,000 tons gross, it was not allowed, as per the terms of the Agreement, to increase its tonnage beyond 70,000 tons gross at the end of ten years upon the expiry of the Agreement.¹⁷ The other terms of the Agreement provided that the Scindia Company would carry cargo only and not passengers. It would not charge higher rates of freight than those fixed by the B.I. Co. Despite the fact that the Company had inaugurated its services by carrying passengers and cargo from Bombay to England and the Continent, it was now prevented from going out of Indian waters and was to be confined to the coastal trade of Burma, Ceylon and India.¹⁸ By virtue of this Agreement, the share

16. 'The Scindia Steam Navigation Company', WalchandVolume, 1942, WH Papers, fl. 75(a), NMML.
17. Note on the Tripartite Agreement, Comm. Dept., GOI, 17 June 1938, fl. 20-MI(7)/38, pt.B., NAI and 'The Scindia Steam Navigation Company, Walchand ... Volume, 1942, WH Papers, fl. 75(a), NMML.
18. Note on the Tripartite Agreement, Comm. Dept., GOI, 17 June 1938, fl. 20-MI (7)/38, Part B, July 1938, NAI; Journal of Commerce, 4 June 1948, in WH Papers, fl. 626, pt. I, NMML and 'The ScindiaCompany', WalchandVolume, 1942, WH Papers, fl.75(a), NMML.

of the Indians in the coastal trade, which approximated 4.5 million tonnes in 1924-25, came to around 13-15 % only.¹⁹ The Scindia's were to exert constant pressure throughout the period to try and improve the provisions of the Agreement. However, the redeeming feature of the Tripartite Agreement was that it admitted an Indian company into a coastal conference which had, hitherto, only been dominated by British interests.

Side by side, the pressure of Indian nationalist public opinion forced the Government to appoint, in February 1923, an Indian Mercantile Marine Committee (hereafter IMMC) in order to examine the steps to be taken to develop the mercantile marine of the country.²⁰ The prelude to this action taken by the Government, was the awakening on the part of Indian nationalists regarding the pitiable state of Indian industry immediately upon the cessation of hostilities in the First World War.²¹ Pandit Madan Mohan

19. Gokhale Institute, Notes on the Rise of Business Communities in India, New York, 1951, p. 25 and T.N Kapoor, 'Shipping, Air and Road Transport', V.B. Singh (ed.), Economic History of India, 1857-1956, Delhi, 1975, p. 25.

20. Memo of meeting at Sir William Bull's offices, 27 June 1925, WH Papers, fl. 588, NMML; The Scindia Company, Walchand Volume, 1942, WH Papers, fl. 75(a) NMML and The Hindustan Standard, 31 July 1945, WH Papers, fl. 90, pt. II, NMML.

21. Sumati Morarjee, 'Indian Shipping ...', N.G. Jog (ed.) Sumati Morarjee Felicitation volume - Service to Indian Shipping, p. 134.

Malaviya (A member of the Industrial Commission appointed by the Government after the War) recommended the establishment of various modern industries, including shipbuilding, to meet the requirements of a growing country like India.²²

Walchand Hirachand had approached various political leaders and urged them to take action to help in the development of an Indian Mercantile Marine. One of these men was Sir P.S. Sivaswamy Ayyar who, on 12 January 1922, moved a resolution in the legislative assembly to the effect that a committee including experts and non-official Indians be appointed to prepare a scheme" which would help in the growth of an Indian Mercantile Marine and the development of shipbuilding."²³ It is a measure of the prevailing attitude of the times that the motion was adopted despite the

22. A.H. Maru, Indian Shipping Since Independence, p.9.

23. LAD, 12 Jan. 1922, Vol. II, p. 1531 and Statement by P.S. Sivaswamy Ayyar, 12 Jan. 1922, WH Papers, fl. 611, pt.II, NMML.

The Resolution was worded as follows:

This Assembly recommends to the Governor General in Council that a committee, including experts and non-official Indians, be appointed to prepare a scheme:-

- (i) for the liberal recruitment of Indians as Deck or Executive Officers and Engineers in the Royal Indian Marine,
- (ii) for the establishment of a Nautical College in Indian waters for the purpose of training Executive Officers and Engineers of ships,

Contd/---

opposition of the Commerce and Industry Member, Sir Charles Innes who, in keeping with the official policy, made the usual sympathetic noises about understanding the desire of the Indians for their own mercantile marine but went on to add, that India's position was different from that of Japan (whose case had been cited in the Resolution)²⁴ as she was not an island and therefore did not have the same vital need for a navy and, moreover, he said that the British Navy was doing the needful for India (at a cost of \$100,000 per annum).²⁵ This shows the extent of 'the keeping their eyes closed attitude' as far as Indian interests were concerned. On the other hand the passing of the motion with minor modifications coincided with the endorsement of the object of Ayyar's resolution by the First Fiscal Commission (1921-

(iii) for the Creation of an adequate number of state scholarships for providing instruction in the Nautical Colleges and training ships in England, pending the formation of the Nautical College in India,

(iv) for the encouragement of shipbuilding and of the growth of an Indian Mercantile Marine by a system of bounties, subsidies and other such measures as have been adopted in Japan.

(v) for the acquisition of training ships by gift from the Imperial Government or otherwise,

(vi) for the construction of necessary dockyards and engineering workshops in one or more ports.

24. Ibid. Refers especially to clause (iv) of the Resolution.

25. LAD, 12 Jan. 1922, Vol.II, p. 1535.

22). Walchand Hirachand, on behalf of the Scindia Company, had submitted a memorandum to the Commission on the existing state of sea transport and suggested coastal reservation for Indian shipowners, abolition of practices like deferred rebates and Governmental aid to Indian shipping in order to ameliorate the situation.²⁶

All these pressures forced the Government to appoint, in 1923, a six member committee to consider steps in order to develop the Indian Mercantile Marine. The IMMC consisted of three European and three Indian members. They were Captain E.J Headlam (President of the Committee), Director, the Royal Indian Marine; Prof. Sir John Biles, Consulting Naval Architect to the India Office; Sir Arthur J. Froom, Partner, Mackinnon, Mackenzie and Company; Mr. Lallubhai Samaldas, Director, the Scindia Co.; Jadunath Roy, Bengal Chamber of Commerce and T.Rangachariar, M.L.A.²⁷ After a lot of intense deliberations, the Committee finally submitted its report in 1924 - it recommended that the coasting trade of the country should be reserved for ships, the ownership

26. G.D. Khanolkar, op.cit., pp. 181-82 and T.S. Sanjeeva Rao, A Short History of Modern Indian Shipping, pp. 94-95.

27. Note on the Indian Mercantile Marine Committee, (hereafter IMMC), no date, MAM Papers, fl. 20, NMML and S.N. Haji, A Mercantile Marine for India, New India, 10 Aug. 1927, Madras, in Comm. Dept., GOI, fl. 183-s(2), pt.B, NAI.

and controlling interest in which were predominantly Indian, the Government should arrange for a separate Training ship to give nautical training to Indians and that ships of steamer companies plying on the coast must recruit the trainees of the Training ship. It also recommended a scheme for the Indianisation of the Indian coastal marine within a period of twenty five years. The Government was also exhorted to encourage Indian citizens to enter the, hitherto, neglected shipbuilding industry through bounties and subsidies.²⁸

It is suggestive, that out of the three European members on the committee, the only voice of dissent came from Arthur Froom, the representative of British vested interests in shipping. He strongly opposed the reservation of the coastal trade of India for Indian owned ships on the grounds that it would result in inefficient service accompanied, as a corollary, with high freights due to lack of incentives occasioned by the absence of fear of competition.²⁹ This was a recurring argument used by British shipping interests in the years to come, whenever the issue of coastal reservation for Indian shipping was raised.

28. Report of the IMMC, 1923-24, WH Papers, fl. 611, pt.2, NMML and Note on the IMMC, no date, MAM Papers, fl. 20, NMML.

29. S.N. Haji, 'A Mercantile Marine for India', New India, 10 Aug. 1927, Madras, in Comm. Dept., GOI, fl. 183-s(2), pt. B, NAI.

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But, as always Indians had an answer to such allegations. Mr Sarabhai N. Haji (of the Scindia Co.), unleashed a vitriolic attack against this attitude of British vested interests represented by Sri Arthur Froom. He argued that the monopoly of the coastal and overseas trade by non-Indians represented a drain of roughly Rs 57 crores per year. Further, he said that these vested interests conveniently forgot that all maritime nations, including Great Britain, had resorted to state aid in the development of their mercantile fleets. In fact, in Britain, 98% of the coastal trade was in the hands of English companies.

This situation was made possible through state help, such as the implementation of the highly discriminatory Navigation Laws (beginning from 1646) which were repealed only when they were no longer necessary.³⁰ It was also felt by the IMMC members, excluding Arthur Froom, that "given the fact that Indians had proved successful in technical trades, in which they possessed little or no practical knowledge or experience, they saw no reason why, given a favourable opportunity, they would not prove equally successful in the shipping trade".³¹

30. Ibid.

31. Ibid.

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Of course, there were certain reservations regarding the recommendations of the IMMC, especially the fact that there was no proviso regarding guarantee of Indian entry into the overseas trade (which accounted for no less than Rs.43 crores out of a total of around Rs 57 crores of shipping earnings in a year) which was equally important and, in fact, closely related to coastal trade in terms of economic progress—a fact recognised by countries like Japan who provided massive state aid in order to facilitate quick development of shipping.³² The Boulter Report of 1926 (Mr.R. Boulter was the Acting Commercial Counsellor at Tokyo) stated that the system of subsidising shipping services had been in existence for nearly 30 years and concluded that "the most important branch of industry which has been substantially affected by the grant, since the war, of special privileges to national enterprise is that of shipping."³³ Nevertheless, the Report of the IMMC was welcomed because it recognised and suggested concrete steps in order to meet India's need for her own mercantile marine. However, the Government of India stepped in, as we shall see later, to make the Report a virtual dead-letter. Meanwhile, legislative efforts were made in order to legalize coastal

32. Ibid.

33. Quoted in 'Boulter's Report', (1926), Comm. Dept., GOI, fl. 720-S, pt.B, NAI.

reservation for Indian owned vessels. The first effort in this direction was the attempt by K.C. Neogy to introduce the Coastal Traffic Reservation Bill in the Central Legislature in 1924 - it was Walchand Hirachand who egged him on into introducing such a measure.³⁴ Therefore, all possible channels, including approaching political leaders for help, were utilised in order to develop the Indian shipping industry, "for the proper growth of her own trade and commerce and the economic development of her neglected ports, for reviving an old avenue of career of the sea of the sons of the soil, and for building up the nucleus of an Indian Navy of the future for protecting and defending her people both on sea and shore".³⁵

The Bill was not destined to be introduced in the legislature. The Government of India used legal technicalities to delay its introduction. They stated that the Bill was ultra vires of Section 736 (b) of the Merchant Shipping Act of 1894. Section 736 empowered the legislature of any British possession to regulate, by any act, the coasting trade of that British possession, subject to certain

34. Extract from the Legislative Department File re-Neogy's Bill, 2 Sept. 1924, Comm. Dept., GOI, fl. 387-S, pt-A, NAI; WH to Scindia Co., 22 July 1925, WH Papers, fl. 588, NMML and 'The ScindiaCompany', WalchandVolume, 1942, WH Papers, fl. 75(a), NMML.

35. A statement by Narottam Morarjee, 24 Oct. 1924, WH Papers, fl. 611, pt.II, NMML.

specified conditions. Condition (B) required that the Act in question should treat all British ships in exactly the same manner as ships of the British possession concerned.³⁶ Sensing that Indian public opinion would not accept the Government of India's statement for what it stood for, it was decided to refer the Bill to the Law Officers of the Crown. Behind these frenzied activities was the everlooming pressure of the British vested interests. The Board of Trade pronounced the Bill as 'ultra vires' of the Indian legislature and Lord Inchcape stated that he was confident that the Bill would not be passed.³⁷

But the Indians had built up their case anticipating objections to the Bill. Averring that allegations like the one insisting that the Bill involved the principle of flag discrimination were baseless, they went on to state that the coastal trade of a country was always construed by

36. Extract from the Legislative Department file re Neogy's Bill, 25 Sept. 1924, Comm. Dept., GOI, fl. 387-5, pt. A, NAI; Note of the Scindia Co., no date, WH Papers, fl. 588, NMML and Memo of meeting at Sir William Bull's offices, London, 27 June 1925, WH Papers, fl. 588, NMML.
37. Extract from the Legislative Department File re Neogy's Bill, 2 Sept. 1924 and Telegram to the Secretary of State for India from D.T. Chadwick, 26 Jan. 1925, Comm. Dept., GOI, fl. 387-S, pt. A, NAI; WH to the Scindia Co., 9 July 1925, WH Papers, fl. 588 and MAM Papers, fl. 21, NMML and Letter from the Mercantile Marine Department, Board of Trade to the India Office, 25 April 1925, Comm. Dept., GOI, fl. 387-S, pt. A., NAI.

International Law as a matter of domestic concern in which foreign interests could come in, not as a matter of right but, as a matter of grace. Moreover, as Walchand Hirachand pointed out to Lord Inchcape, the Bill was not intended to wipe out British shipping interests but merely to allow them to hold a certain portion of the trade, instead of the 100% that they did at that time.³⁸ As far as national interests went, this ought to have been considered as quite reasonable, but the British vested interests were outraged by, what they considered was, an easy way to step into what they had taken ages to build up.³⁹

Yet, the Bill did not discriminate against British ships, as such, because any British ship which complied with the conditions of the license laid down in the Bill could engage itself in the coastal trade of India.⁴⁰ Moreover, the argument, that India being a part of the Empire should not

38. Extract from the Legislative Assembly Department, 8 July 1924, Comm. Dept., GOI, fl. 387-S, pt. A, NAI; WH to the Scindia Co, 9 July 1925, WH Papers, fl. 588 and MAM papers, fl. 21, NMML and 'Examination of some of the arguments against the Reservation of coastal traffic of India Bill,' no. date, MAM Papers, fl. 45, NMML.

39. Ibid. and Telegram to The Secretary of State for India from D.T. Chadwick, 26 Jan. 1925, Comm. Dept., GOI, fl. 387-S, pt. A, NAI.

40. 'Examination of some of the arguments advanced against the Reservation of Coastal Traffic of India Bill', no date, MAM Papers, fl. 45, NMML.

discriminate against British Shipping, lost its credibility because a look at Governmental sources itself revealed a different situation. "The position in Australia is that Part VI of the Navigation Act (1912-25) provides that ships may only engage in the coasting trade under license, but no discrimination is made between Australian and other ships, whether British or foreign as such(However) as a matter of practice, the conditions under which licenses are granted are so severe (e.g. the payment of Australian rates of wages) that no non-Australian shipowner is likely to be willing to comply with them".⁴¹ Therefore, if in effect Australia could reserve her coasting trade to her own nationals, there was no reason why India could not follow suit.

Repeating an argument, put forward earlier by Sir Arthur Froom, British officials like Charles Innes, too, felt that if reservation of coastal traffic to Indians was allowed, Indian capital would not come forward and, consequently, there would be shortage of tonnage which would

41. Quoted in E. J. Harding, (Dominions Office) to E.J. Turner, (India Office), 7 Dec. 1925, Comm. Dept., GOI, fl. 238-S(9), pt. A, NAI; Extract from the Legislative Dept. File re. Neogy's Bill, 8 July 1924, Comm. Dept., fl. 387-S, pt. A, NAI; Letter from the Mercantile Marine Department, Board of Trade to the India Office, 25 April 1925 and 'Examination of some of the arguments advanced against the Reservation of coastal traffic of India Bill', no date, MAM Papers, fl. 45, NMML.

lead to raising of freight rates, thereby, causing dislocation in trade and industry thus spelling the ruin of India's prosperity.⁴² M.A. Master (the General Manager of the Scindia Co.), on the other hand, held that even the cut-throat competition, ruinous rate-wars and the deferred rebate system, as also, Government patronage to British vested interests had not proved to be a check on the entry of a number of Indian shipping companies into the trade. It showed that Indian capital was not shy in coming forward and entering this industry.⁴³ If a high-risk area like shipping in adverse conditions was not a sufficient deterrent for entry of Indian capital into it, then, merely once reservation and other Government aid was given, there could not be any question of Indian capital not coming forward.

However British officialdom got a rude shock when the Law Officers of the Crown, to whom the proposed Coastal Reservation Bill had been referred to, concluded that it was 'intra vires' of the Legislature of India.⁴⁴ It is a measure of the extent to which the colonial Government could

42. Ibid.

43. Ibid.

44. Telegram from the Secretary of State for India, 8 Feb. 1925, Comm. Dept., GOI, fl.387-S, pt.A, NAI; Memo of a meeting at Sir William Bull's offices, 27 June 1925, WH Papers, fl.588, NMML and S.N. Haji to The Agents, Scindia Co., 16 Feb. 1925, MAM Papers, fl. 23, NMML.

go to, in order to achieve the end they desired, that the Law Officers of the Crown were asked to reconsider their opinion. Unfortunately for the Government, there was no change in the decision of the Law Officers, even after reconsideration.⁴⁵ But the long delay in waiting for the opinion of the Law Officers had served its purpose-the Bill could not be introduced in the Legislature.

Walchand, however, had done a lot in popularising the Bill-money being no constraint in this matter.⁴⁶ The Indians were not willing to let sleeping dogs lie - it followed, therefore, that upon not being granted permission for the introduction of Neogy's Bill in the Central Legislature due to the unwarranted delay, engineered by the Government, about more than a dozen members of the Assembly gave notice of their intention to introduce the same Bill for the Reservation of Coastal Traffic of India to Indian

45. Telegram from the Secretary of State for India, 8 Feb. 1925, Comm. Dept., GOI, fl. 387-S, pt.A, NAI and 'The Reservation of Coastal Traffic of India Bill - Opinion of the Law Officers of the Crown', 20 Mar. 1925, Comm. Dept., GOI, fl. 387-S, pt. A, NAI.

46. WH to the Scindia Co., 22 July 1925, WH Papers, fl. 588, NMML.

According to him, " This bill is the salvation of the Scindia Co., from every point of view. If anything is going to frighten, or rather, straighten Inchcape, it is the passage or at least the agitation for this bill. All possible 'noise' should be made and I would consider money spent on this 'propaganda' as money well spent."

vessels. Their object was to ensure that, atleast one of them would be adopted by virtue of securing a higher place in the ballot for determining the matters to be taken into consideration by the Legislature.⁴⁷

In the meantime, the Government had done precious little to implement the recommendations of the IMMC Report. Their vacillating tactics were transparently apparent, for in reply to queries regarding this matter, they put forth vague replies like "the matter is under consideration".⁴⁸

Exasperated by these delays, Sir P.S. Sivasawmi Ayyar moved a resolution in the Legislature urging the Government to accept the recommendations of the IMMC.⁴⁹ Once the matter came up for discussion, the Government had no option but to reveal the reasons for their inaction. Herein, the complete nature of colonial policy was unveiled. As had been the case earlier, during the motion by Sir P.S.Sivaswamy Ayyar for

47. Endorsement to the Legislative Department, 17 Feb. 1925, Comm. Dept., GOI, fl.387-S, pt.A, NAI. Some of the members who sought to introduce the Bill were Amarnath Dutt, K. Rama Aiyangar, Devaki Prasad Sinha, D.V. Belvi, N.C. Kelkar, M.K. Acharya, Jamnadas M. Mehta, B. Das etc.

48. Sir Charles Innes in LAD, 23 Jan. 1925, Vol. V, p. 145; Innes in LAD, 27 Aug. 1925, Vol. VI p. 290; Innes in LAD, 8 March 1926, Vol. VII, p. 2098; The Eastern Economist, 1 Sept. 1944, p. 251 and The Hindustan Standard, 31 July 1945, WH Papers, fl. 90, pt. 2, NMML.

49. LAD, 19 Mar. 1926, Vol. VII, p. 2800.

moving the resolution for establishing a committee to recommend steps for development of a mercantile marine in 1922, Sir Charles Innes took up the argument from where he had left off in 1922, asserting that they had to balance considerations of national sentiment (which he magnanimously recognised) with economic considerations and interests on the other.⁵⁰ There was nothing new in his protestations against the principle of reserving coastal trade of India for Indian nationals, other than the bandying of phrases like 'flag discrimination', 'expropriation' and it being a deterrent to the economy as it would raise freight rates. The case of Australia was again brought up - although, the Dominions Office had admitted in 1925 that, in effect, the Navigation Act of Australia had succeeded in reserving her coasting trade to her own nationals through a strict system of licensing. He again raked up the principle of the Act which did not discriminate against non- Australians. But this appears to be a futile exercise in building up an argument against the Indian efforts in this direction, when what the Indians were aiming for had already been achieved by the Australians.⁵¹ Yet, even though his argument appeared

50. Ibid.

51. E.J. Harding to E.J. Turner, 7 Dec. 1925, Comm. Dept., GOI, fl. 238-5(9), pt.A, NAI; LAD, 19 Mar. 1926, Vol. VII, pp. 2800-14 and 'Reservation of the coastal Trade,' no date, WH Papers, fl. 611, pt.2, NMML.

to be faulty, Innes was successful in getting the resolution adjourned to the next session, accepting only the part regarding Nautical Training in the resolution.⁵² British policy maintained its hold in this round.

Although the scheme for establishing a Nautical Training Ship was accepted in principle, Charles Innes could not refrain from making a snide remark about Indian capabilities and character. On the floor of the House, on 19 March 1926, he is reported to have said that "In the first place, life on board ship... is a rough life. There is rigorous discipline and it is a hard life which demands character...."⁵³ -qualities presumably absent among Indians!

Colonial constraints cropped up again regarding employment of these cadets in shipping companies, especially, the British ones. The Scindia Company had, before the establishment of the I.M.M.T.S. Dufferin, successfully trained and employed Indians in its own steamships.⁵⁴ The prospectus of the I.M.M.T.S. Dufferin gave a list of eleven companies (including British lines like the B.I.S N.Co., the P&O Co. and the Mogul Line) who were

52. LAD, 19 Mar. 1926, Vol. VII, pp.2815-16 and The Eastern Economist, 1Sept. 1944, p. 251.

53. Innes in LAD, 19 Mar. 1926, Vol. VII, p. 2815.

54. G.D. Khanolkar, op. cit, p. 218.

agreeable to accepting apprentices of the Training Ship and promised help in providing employment to candidates on their ships provided they were satisfactory as apprentices.⁵⁵ The importance of Indians manning ships in their own waters was emphasised by Motilal Nehru as a necessary precursor to the development of a Mercantile Marine.⁵⁶ In addition, that august body representing the interests of Indian enterprise, the Federation of Indian Chambers of Commerce and Industry, in their Resolution of 28 and 29 December 1928, urged the Government of India to make it obligatory for the ships plying on the coast to give preference in the employment of their officers to those who obtained the necessary certificate of competency after undergoing training on the Training Ship.⁵⁷ However, George Rainy, the Commerce Member, referring to the FICCI Resolution, stated that the need for Government assistance in this direction had "not arisen".⁵⁸ This assertion, that the situation did not merit

55. George Rainy, Commerce Member in LAD, 11 Mar. 1929. Vol. II, p.1633.

56. Statement by Motilal Nehru, 26 Nov. 1927, WH Papers, fl. 611, pt.II, NMML.

57. Proceedings of the Second Annual Meeting of the Federation of Indian Chambers of Commerce and Industry, (hereafter FICCI), Calcutta, 28 and 29 Dec. 1928, Comm. Dept., GOI, fl. 499M.I/29, pt.B, NAI and The Southern Indian Chamber of Commerce (Madras) to the Comm. Dept., Comm. Dept., GOI, fl. 20-M.I.(2)/31, pt.B, NAI.

58. George Rainy's Notes, 13 May 1929, Comm. Dept. GOI, fl. 499-M.I/29, pt.B, NAI.

intervention by the Government, did not hold water as subsequent events were to show. The Viceroy, Lord Irwin struck a sympathetic note in a speech at Kanpur in December 1926. He announced that "It is, however, no use training Indians in this way unless they have a career open to them. I hope, therefore, that British shipping companies will cooperate to make the Training Ship a success by giving fair opportunities of employment to Indian cadets".⁵⁹ This speech was enough to send British ship owners into a flutter. A conference of British shipping interests held in London a few months later vehemently opposed any move towards mandatory employment of successful cadets from the Indian Training ship in British shipping companies while simultaneously insisting that it "would not be fair to British Deck Officers to create a new source of supply".⁶⁰ British shipping interests could not tolerate any professions of sympathy on the part of the British Government, as they felt that it would harm their interests. In any case, the Viceroy's speech was not a directive to

59. Quoted in a letter from M.A. Master to G.L. Corbett, Secretary, Dept. of Commerce, Comm. Dept., GOI, fl. 180-S (156), pt.B, NAI; George Rainy in LAD, 11 Mar. 1929, Vol. II, p. 1663 and Secretary, Indian Merchants Chamber, (hereafter I.M.C), Bombay to Commerce Dept., 29 Oct. ~~1922~~ Comm. Dept., GOI, 20 MI(2), pt.B, NAI.

60. Quoted in a letter from M.A. Master to G.L. Corbett, Dept. of Commerce, Comm. Dept., GOI, fl.180-S (156), pt. B, NAI.

immediate action and the officials promptly denied any knowledge of the said conference and fell into the groove of inaction in this regard.⁶¹

Until the end of 1928 the Government refused to take any action on the recommendations of the I.M.M.C., especially those relating to coastal trades, despite the deplorable state of affairs in the Indian shipping industry. Nearly twenty four companies had to go into liquidation between 1904 and 1927.⁶² Representations by bodies like the Indian Chamber of Commerce, Calcutta and the Southern Indian Chamber of Commerce, Madras and the Indian Merchant's Chamber, Bombay, to the Government show that these bodies were intensely aware of the harm the colonial Government was inflicting upon the development of an indigenous mercantile marine. Their allegations were that the Government was ignoring their representations and hiding behind the cloak of C.A. Innes' arguments, made on the floor of the House in 1926, in the debate regarding P.S. Sivaswamy Ayyar's resolution. They could not understand why when other countries, including Great Britain, had reserved,

61. C. Innes in LAD, 23 Mar. 1927, Vol. IX, pp. 2591-92 and G. Rainy in LAD, 11 Mar. 1929, Vol. II, p. 1663.

62. WH to Lord Wavell, 14 Aug. 1944, WH Papers, fl.160, NMML and The Calcutta Commercial Gazette, 25 June 1928, in S.N. Haji, Indian Press Opinions on The Bill for the Reservation of Coastal Traffic of India, Pamphlet No.10, Indian Shipping Series, 1928, p. 26.

effectively, almost the whole of their coasting trade to their own nationals, India was to be denied that right. They also averred that, despite Innes' recognition of the Indian desire for their own mercantile marine, he had not one constructive suggestion to offer as to how the mercantile marine should be built up. Instead, he opposed the principle of coastal reservation for Indian vessels.⁶³ But the Government, while not willing to implement the recommendations of the Indian Mercantile Marine Committee (and this was stated in the British Parliament also) was even less inclined to enter into an argument with the commercial bodies exhorting them to take action.⁶⁴ In fact, such was their attitude that they professed to be unaware of any information regarding particulars of the coastal trade such as the degree of Indian participation etc.⁶⁵

63. Statement made by Mr. D.P. Khaitan, Senior Vice-President of the Indian Chamber of Commerce, Calcutta, before Sir George Rainy, 22 Dec. 1927, Comm. Dept., GOI, fl. 814-S(2), pt. B, NAI and Secretary, The IMC, Bombay to the Comm. Dept., 29 Oct. 1927 and the Southern Indian Chamber of Commerce, Madras to Comm. Dept., 7 Dec. 1927, Comm. Dept., GOI, fl.20- M.I.(2)/29, pt-B, N.A.I.

64. Note of George Rainy, 5 Nov. 1927, Comm. Dept., GOI, fl. 20- M.I(2)/29, pt. B, NAI and a Question in Parliament, 21 Nov. 1927, Comm. Dept., GOI, fl. 238-S (90), pt.c, NAI.

65. C. Innes in LAD, 23 Feb. 1927, Vol. IX, p. 1192.

In the late 1920's, it became apparent that the Tripartite Agreement was not working as it should have been. The B.I. Co. were continuously fixing rates, and that too lower rates (a reduction of as much as 25-30%) without consulting Scindia's, thereby contravening the terms of the agreements.⁶⁶ Complaints were lodged by the Scindia's with the B.I. Co. and the Government, only to be ignored. The B.I.Co. was reported to have stated that the Agreement had been a concession made by them and when two out of the three parties to the Agreement felt emphatically that the rates should be reduced it was "reasonable that there should be a reduction".⁶⁷ The Government of India and the India Office, while aware of the existing state of affairs, stated that "they did not have the right to interfere with the Agreement which was already in existence till its expiry in 1932".⁶⁸ This was the picture of the regressive hold that the colonial Government exerted on Indian enterprise.

66. Statement of the Scindia Co. showing how the spirit of the agreement was not carried out by the B.I. Co., no date, MAM Papers, fl. 32, NMML; Memo. of meeting between the Scindia Co. and representatives of the B.I. Co. and Asiatic CO., London, 5 Sept. 1928, WH Papers, fl. 589, pt. I, NMML and Narottam Morarjee to Messrs. N Morarjee and Co. (Agents, Scindia Co.), 28 June 1928, WH Papers, fl. 589, pt-1, NMML.

67. Quoted in WH to Representatives of the Scindia Co., 12 Oct. 1928 and Memo of meeting between the Scindia Co. and representatives of the B.I. Co. and Asiatic Co., London, 5 Sept. 1928, WH Papers, fl.589, pt-I, NMML.

68. N. Morarjee to Messrs. N. Morarjee and Co., 28 June 1928, WH Papers, fl. 589, pt. I, NMML.

Compounding the problems of the Scindia's was the allegation of smaller steamship companies (like the Bombay Steamships Co.) that they were aiming at driving out the smaller indigenous shipping companies through the medium of rate wars (also deferred rebates, grant of free passes to shippers by passenger steamers) unleashed by the Conference, of which the Scindia's were a party.⁶⁹ The Scindia's are reported to have declared that they had opposed the B.I. Co. in this regard-but it appears that being a member of the Conference, they were perceived as being made of the same mould as the B.I. Co. and the Asiatic Co. and, so, it was felt that they were bent upon creating an Indian monopoly in the shipping industry.⁷⁰ Thus the Scindia's appear to have been in a tricky situation, with the British vested interests aided by Government policy preventing their growth and the smaller Indian companies jealous of the 'miniscule' gain they had made by entering the conference. This problem was to recur in the next decade also.

The decade of the twenties was drawing to a close and the Government was doing precisely nothing to develop the

69. Note of G.L. Corbett, 8 Sept. 1927, Comm. Dept., GOI, fl. 15-M.I.(3)/29, pt. B, NAI; S.R. Khopkar (Bombay Steamships Association) to Corbett, 20 Dec. 1927, 2 June 1928 and 17 Aug. 1928, Comm. Dept., GOI, fl. 15-M.I. (3)/29, pt-B, NAI and Note by S.R. Khopkar, 12 Mar. 1928, Comm. Dept., GOI, fl. 15-M.I (3)/29, pt. B, NAI.

70. Ibid.

Indian mercantile marine. Therefore the Indian swung into action Walchand Hirachand exhorted Mr. S.N. Haji (M.L.A. and erstwhile assistant of Walchand Hirachand) to introduce a Bill for the Reservation of the Coastal Traffic of India on 9 February 1928 in the Legislative Assembly.⁷¹

The Bill was a frontal attack on British vested interests. Thoroughly alarmed, the Government and non-Indian commercial bodies raked up the old arguments put forward in the Legislative Assembly in 1922 and 1926, when the concept of reservation had been thoroughly vilified by the official circles. It was contended that the Bill meant 'expropriation' and attempted the imposition of the principle of "flag discrimination"⁷² against British shipping interests. They held that reservation introduced a principle, new to British Law.⁷³ India, in their view did

71. LAD, 9 Feb. 1928, Vol.1, p.262 and LAD, 13 Sept. 1928, Vol.III, pp.698-99.

72. Sir Walter Wilson (Associated Chambers of Commerce) in LAD, 22 Mar. 1928, Vol.II, p.1900; S.N. Haji in LAD, 13 Sept. 1928, Vol.III, p. 701; The Amrita Bazar Patrika, Calcutta, 18 July 1928; The Basumati, Calcutta, 30 June 1928, in S.N. Haji, Indian Press Opinions on the Bill for the Reservation of the Coastal Traffic of India, pp.11-12; The Daily Express, Madras, 13 Aug. 1928, in S.N. Haji, Indian Press....., p. 55; Capital, 19 July 1928, in S.N. Haji, Indian Press....., pp. 42-43 and Bombay Chronicle, 26 Mar. 1928.

73. The Basumati, Calcutta, 31 May 1928, S.N. Haji, Indian Press....., pp. 9-10.

not need a mercantile marine.⁷⁴ They insisted that (as in the case of Chile and other countries which had at that time begun reserving the coastal trade) reservation would lead to freight rates registering a hefty increase, harming the economy.⁷⁵ Moreover, they stated that reservation was not suited to Indian conditions as the coastal trade was largely a seasonal trade.⁷⁶ In addition, they declared that the Bill, if passed would lead to a breach of International Agreements to which India was a party, especially the Convention and Statute on International Regime of Maritime Ports.⁷⁷ They were also sceptical about the ability of Indian capital replacing the gap caused by the prevention of British companies trading on the coast—the estimated cost of Rs.12 crores needed for bringing in an additional hundred Indian owned ships would not, according to them, be forthcoming.⁷⁸

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74. Capital, 19 July 1928, S.N. Haji, Indian Press Opinions, p.43.
75. Sir James Simpson (Associated Chambers of Commerce), in LAD, 13 Sept. 1928, Vol.III, p. 714; Sir Victor Sasson (Bombay Millowners Association) in LAD, 20 Sept. 1928, Vol. III, pp. 1128-29 and Capital, 21 June 1928, S.N. Haji, Indian Press....., p. 41.
76. The Amrita Bazar Patrika, 15 June 1928; The Calcutta Commercial Gazette, 2 July 1928, S.N. Haji, Indian Press, p. 29 and Capital, 14 June 1928, in S.N. Haji, Indian Press....., p. 36.
77. George Rainy in LAD, 22 Mar. 1928, Vol.II, p. 1899 and Capital, 14 June 1928, S.N. Haji, Indian Press....., pp. 36-37.
78. James Simpson in LAD, 13 Sept. 1928, Vol. III, pp. 715-16.

British dominated commercial institutions like the Bengal Chamber of Commerce⁷⁹ and pro-British newspapers like The Statesman⁸⁰ did their bit for the British cause by giving intense publicity to their arguments. For people like Inchcape and the person writing under the name of "The Ditcher" in The Capital it was a foregone conclusion that this 'mischievous' Bill would not be allowed to be put into the Statute Book.⁸¹

The Indians countered every British claim with a reasoning of their own. As regards the allegation that there would be a breach in The Convention and Statute on International Regime of Maritime Ports, they pointed out that the Convention did not make an exception in the case of the two principles of reciprocity and reservation.⁸² Moreover, it was not expropriation because coastal trade merely precluded non-national ships trading on the coast and did not confiscate them. Coastal Reservation was a domestic

79. Appendix II to Notes, Opinions on the Bill, 2 Sept. 1928, Comm. Dept., GOI, fl. 387-S(5), pt-A, NAI.
80. Haji in LAD, 13 Sept. 1928, Vol.III, pp. 708-9.
81. WH's interview with G.L. Corbett, 6 Feb. 1929, WH Papers, fl. 589, pt.1, NMML; Capital, 2 Aug. 1928, S.N. Haji, Indian Press....., p. 54 and Haji, in LAD, 13 Sept. 1928, Vol-III, p. 700.
82. G. Rainy in LAD, 22 Mar. 1928, Vol.II, p. 1899; Note of the I.M.C., Bombay, no date, Comm. Dept., GOI, fl. 387-S(5), pt. A, NAI and Capital, 21 June 1928, S.N. Haji, Indian Press, pp. 40-41.

preserve. Further, the object was to be achieved by degrees and not immediately at one go. In addition, flag discrimination, by tenets of International Law, was mentioned only in connection with foreign trade and, therefore, coastal reservation did not fall under its purview.⁸³ What the Indians would not tolerate was the British objection to relinquishing to the Indians Rs. ten crores of the earnings from coastal trade, when practically the whole of the overseas trade amounting to rupees fifty cores of earnings was in their hands. The Bill did not introduce a principle new to British law for, the British Merchant Shipping Act (1894) expressly laid down conditions under which not only the U.K. but even the dependencies within the British Empire might reserve their coasting trade to their own nationals. The Australians had practically reserved the same to her nationals.⁸⁴ Therefore, it was not the introduction of a new principle. The argument that the

83. Note of the I.M.C., Bombay, no date, Comm. Dept., GOI, fl. 387-S(5), pt. A., NAI; S.N. Haji in LAD, 13 Sept. 1928, Vol. III, pp. 701-04 and 706; The Basumati, 17 July 1928, S.N. Haji, Indian Press....., pp. 12-13; Capital, 2 Aug. 1928, S.N. Haji, Indian Press...., p. 50, The Hindu, Madras, 6 Aug. 1928 and The Indian Daily Mail, Bombay, in S.N. Haji, Indian Press....., p. 94.

84. Note of the I.M.C., Bombay, no date, Comm. Dept., GOI, fl. 387-S(5), pt. A, NAI; R.K. Shanmukhan Chetty in LAD 20 Sept. 1928, vol. III, p.1125 and Amrita Bazar Patrika, 15 June 1928 and 18 July 1928.

coasting rates of Chile went up higher by 50% was challenged on the ground that it was not correct, for neither was any Chilean authority cited in support of the statement that Chilean trade suffered greatly since the reservation policy was inaugurated, nor was the Government of Chile preparing to withdraw the measure.

Moreover, it was said to be a fallacy to presume that freights would automatically rise through the formation of a shipping ring or monopoly. It was shown that even without the Bill coming into force, the B.I. Co. had succeeded in forming a monopoly. Not only this, it also charged very high rates of freight, thereby making a profit of 22% per annum from 1901 to 1925. According to G.D. Birla, they charged nearly four times the rate for coastal traffic than that of the overseas trade to the U.K. In spite of this, they posed to be the 'protector of the consumers interests'. Moreover, India paid Rs 70% lakhs more annually in freights than she would have in normal conditions.⁸⁵

Possibly in a move to break completely the monopolistic hold of a single combine, Haji simultaneously made a move to introduce the 'Abolition of Deferred Rebates Bill' in the

85. G D Birla in LAD, 13 Sept. 1928, Vol. III, pp. 726-27; R.K. Shanmukhan Chetty in LAD, 20 Sept. 1928, Vol. III, pp. 1129-30 and Note of the IMC, Bombay, no date, Comm. Dept., GOI, fl. 387-S(5), pt. A, NAI.

Legislative Assembly on 9 February 1928.⁸⁶ It was reiterated that the trade was by no means seasonal and the number of steamers engaged in the trade in the slack season was about the same as in the busy season. Therefore, they were not laid up but, carried lesser cargo than usual. In addition there was nothing that would prevent the idle steamers from entering the overseas trade.⁸⁷ As far as the issue of development of a mercantile marine being dependent upon the existence of a Navy was concerned, it was declared that the development of naval defence was, not a condition precedent to, but arising from the development of a national mercantile marine - moreover, both were equally essential for economic growth.⁸⁸

It appears that Indian nationalist public opinion was firmly entrenched in the Bill's favour. A list of twenty Indian Associations expressing their support for the Bill was laid on the floor of the House. Among them were the Marwari Chamber of Commerce, the Southern Indian Chamber of

86. S.N. Haji, in LAD, 9 Feb. 1928, Vol. I, p. 263 and The Secretary, Marwadi Chamber of Commerce to The Government of Bombay, Comm. Dept., GOI, fl. 20-M.I.(3)/31, pt.B, NAI.

87. The Basumati, 17 July 1928, S.N. Haji, Indian Press...., p. 14 and Capital, 21 June 1928, S.N. Haji, Indian Press....., p. 41.

88. Statement by V.J. Patel, 14 July 1927, WH Papers, fl. 611, pt.II, NMML and Capital, 2 Aug. 1928, S.N. Haji, Indian Press....., pp. 50-51.

Commerce, the Indian Merchants' Chamber and the Ahmedabad Millowners' Association.⁸⁹ Nationalist newspapers like the Amrita Bazar Patrika, The Bombay Chronicle and the Basumati continuously supported the Bill as opposed to the European Press represented by the Capital and the Statesman.⁹⁰

Throughout the debate on the Bill during the motion to refer it to the Select Committee, as also for the purpose of circulating it for securing opinions, Indian nationalist leaders and businessmen were very vocal in their support for the Bill. Gandhiji, in an article in Young India, linked the ruin of the village cotton industry with of the decline of national shipping as the rise of Lancashire necessitated the destruction of Indian shipping so that cheap Indian cotton good could not travel on Indian vessels. Gandhiji recognised the necessity of the bills for reservation of coastal traffic and abolition of deferred rebates, even stating that he was an "out and out protectionist".⁹¹ G.D Birla scoffed at the British dig regarding "shyness of Indian capital". He stated that when the Government of India could obtain 20-40 crores of Rupees from the country every year, it would not be difficult to get Rs.12 crores to build an Indian

89. S.N. Haji in LAD, 13 Sept. 1928, Vol.III, p. 707.

90. Ibid., pp. 708-09.

91. Young India, 2Aug. 1928, see G.D. Khanolkar, op.cit., p.222.

fleet in place of the displaced ones.⁹² Lala Lajpat Rai taunted the British capitalists who, having "grown fat on Indian riches, Indian trade and the exploitation of India", were now complaining that the Bill was discriminatory. He thought that it was strange that it were the Indian capitalists who were to be deprived of their chance to grow.⁹³

The Bill was referred to a **Select Committee**, on 20 September 1928,⁹⁴ meaning that the principle of reservation was accepted.⁹⁵ The tussle was not yet over-the worst was yet to come.

Although the principle of reservation was an anathema to the Government, it could not in an atmosphere of rising national consciousness,⁹⁶ afford to alienate the Indians

92. G.D. Birla in LAD, 13 Sept. 1928, Vol.III, pp.715-16 and 726-27.

93. LAD, 20 Sept. 1928, Vol.III, p. 1145.

94. Ibid., p.1157.

95. Note of the Scindia Co., no date, WH Papers, fl.611, pt.II, NMML.

96. FICCI circular in response to a circular, dated 27 July 1928 of the Associated Chambers of Commerce of India and Ceylon, no date, MAM Papers, fl.69, NMML.

Purhottamdas Thakurdas, President of FICCI speaking at the Annual General Meeting of the Federation at Calcutta, 1928 said "Indian commerce and industry are intimately associated with, and are, indeed an integral

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further. Simultaneously, British interests could not be hurt. Hence it was time for a diplomatic move-the Viceroy, in 1928, called a conference of British and Indian ship owners to solve the shipping problem.⁹⁷ The outcome of this conference will be discussed in the next chapter .

Upto the year 1928, intense petitioning and legislative efforts on the part of the Indians was witnessed in order to wheedle concessions out of a lackadaisical Government and a hostile group of British vested interests which proved to be a major stumbling block in this direction. At this time the U.S. Government by its Merchant Marine Acts of 1920 and 1928 provided State aid in the form of construction loans out of its revenues to its citizens for constructing vessels and for the maintenance or establishment of ocean services (the

part of the national movement, growing with its growth and strengthening with its strength Much misunderstanding is due to this important fact not being sufficiently recognised. The ideal of the national movement in the political sphere, namely to make the Indian nation united, prosperous and progressive, is also the ideal of Indian commerce and industry in the economic sphere"

97. Note of the Scindia Co., no date, WH Papers, fl.611, pt.II, NMML and K.V. Hariharan (ed.), So I Rest on My Oars - A Collection of Writings and Speeches of M.A. Master, p.291.

figures were \$125,000,000 for 1920 and \$ 250,000,000 for 1928).⁹⁸

India, however was not so lucky, but lived in the hope that concessions could be 'wrenched' out of the unwilling colonial state.

98. A. Lane Cricher, Ocean Routes in U.S. Foreign Trade (Trade Promotion Series, No. 96, Washington), pp.1-2 Comm. Dept., GOI, fl.34-M.I.(3)/30, pt.B, NAI.

CHAPTER - II

**The Scindia's and the Growth of Indian
Shipping-II : 1929-1938**

CHAPTER II

THE SCINDIAS AND THE GROWTH OF INDIAN SHIPPING - II (1929-38)

This period witnessed a spillover of the problems in the earlier period. The issue of coastal reservation was hotly debated with both sides ranged squarely against each other. In 1929 and 1930, the FICCI passed a resolution in support of the policy underlying the Coastal Reservation Bill.¹ Citing the fact that out of twenty nine Maritime countries of the world, fourteen had reserved their coastal trade in favour of nationals of the country, the FICCI asserted that India would have made as marvellous a progress as Japan, but for the monopolies and the 'favoured nation treatment' that the British vested interests had received from the Government of India.² Quite an opposite stand was taken by the Associated Chambers of Commerce of India and Ceylon (The Apex European commercial organisation) who, in a circular to the Government, claimed that the Bill for Coastal Reservation amounted to wholesale " expropriation of established interests and would do nothing but alienate the sympathies of India's well wishers" and would "cause

1. FICCI Resolution on Shipping, 28 Dec. 1928, Comm. Dept., GOI, fl.499 - M.I./29, pt.B, NAI and FICCI Resolution, 14, 15 and 16 Feb. 1930, MAM Papers, fl. 69, NMML.
2. FICCI Resolution on Shipping, 28 Dec. 1928, Comm. Dept., GOI, fl. 499 - M.I./29, pt.B, NAI.

irreparable" harm to the country.³ At about the same time, G.D.Birla responded to this letter by enquiring as to how the economic structure of England would have been "imperilled by the reservation of Indian coasting trade to Indian -owned and Indian-controlled ships and whether the 'balance sheet' of the two British shipping lines was the foundation on which the the economic structure of England was raised"⁴. Moreover, he could not perceive as to how it would be in the interests of India that she should have no shipping industry and no Indian Mercantile Marine and the only means by which they could be brought into being and developed should be denied to her.⁵

But the Government was not willing to listen to reason⁶. Therefore, the Coastal Reservation Bill introduced by S.N.Haji plodded its way from session to session being recirculated to elicit further public opinion by 30 April

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3. The Times of India, 29 July 1930 and Letter from the Associated Chambers of Commerce of India and Ceylon to all Members of Parliament, Chambers of Commerce in the U.K. and Others, 27 July 1929, MAM Papers, fl.44, NMML.
 4. Statement of G.D. Birla, 27 July 1929, WH Papers, fl. 611, pt.II, NMML.
 5. Ibid.
 6. M.A. Master to N. Morarjee, 13 June 1931 and M.A. Master to E.C. Mievile, Private Secretary to the Viceroy, 4 Aug.1931, WH Papers, fl. 589, pt.1, NMML.

1930,⁷ and ultimately lapsed upon Haji's resignation⁸. The colonial Government had succeeded, for the time being, in protecting the British Shipping interests.

However, the Indian zeal did not flag in the face of such impediments. Notice of bills identical to Haji's (as amended by the Select Committee) were given to the Speaker for the purpose of introduction in the Legislative Assembly. Mr. B. V. Jadhav gave notice of this motion in 1930 and the Viceroy and the Secretary of State for India, together, agreed that the motion should be opposed.⁹ The Bill was introduced in 1932 but lapsed in 1933 because it could not be moved on two previous occasions.¹⁰ Colonialism had exerted its 'muscle power' successfully !.

7. LAD, 23 Jan. 1930, Vol. 1, p.263.

8. Note of Comm. Dept., 23 Aug. 1932, Comm.Dept., GOI, fl. 20- M.I.(6)/31, pt.B, NAI; The Hindusthan Standard, 31 July 1945, WH Papers, fl.90, pt.2, NMML and The Scindia Co.; Walchand ..., Vol. 1942, WH Papers, fl. 75(a), NMML.

9. Note of Comm. Dept., 23 Aug. 1932 and Telegram from Secretary of State for India to the Viceroy, 6 Sept. 1932, Comm.Dept., GOI, fl. 20 - M.I.(6)/31, pt.B, NAI; Summary by Dept. of Commerce, 15 Nov. 1930, Comm.Dept., GOI, fl.20-M.I. (9)/31, pt.B and LAD, 18 March 1932, Vol.II, p.936.

10. Dept. of Commerce Notes, 11 Sept. 1933, Comm.Dept., GOI fl. 20-MI.(6)/31, pt.B, NAI.

An important corollary to coastal reservation in the development of Indian shipping was the move to abolish the 'deferred rebate' system. The deferred rebate system operated when companies issued a notice or circular to shippers informing them that if at the end of a certain period, usually four to six months, they had not shipped goods by any vessels other than those dispatched by the members of the Conference, they would be credited with a sum equivalent to a certain part, usually 10% of the aggregate freights paid on their shipments during that period. This sum would be paid over to them, if at the end of a further period, again usually four to six months, they had continued to confine their shipments to vessels belonging to the members of the Conference.¹¹ The sum, thus paid was known as the Deferred Rebate. This system, operating in the coasting trade in India and elsewhere was harmful, especially, in the Indian context as it prevented the entry of new lines into the coasting trade in order to facilitate the growth of a National Mercantile Marine and fight powerful combinations already in existence.¹²

Ably supported by Indian Commercial Associations like the FICCI and the Indian Merchants' Chamber, (hereafter

11. S.N. Haji in LAD, 20 Feb. 1929, Vol. I, pp. 991-92.

12. Ibid., pp.988-89.

I.M.C.), Bombay, who continually voiced their opposition to the practice of Deferred Rebates,¹³ S.N.Haji sought to build up his case for the abolition of deferred rebates. In the debate in the Legislative Assembly regarding the Bill for the Abolition of Deferred Rebates; Haji pointed out that the actual position was contrary to the claims of the shippers of the Conference lines offering such rebates. The latter stated that the system offered regular sailings, provided high-class steamers and the shippers enjoyed the advantages of uniform and stable rates.¹⁴ Haji showed that regular sailings were very much in operation before the inauguration of the conference system. Moreover, a clear examination revealed that regular sailings in the trade was not the result of the 'goodwill' of the shipowners towards the shipper, but usually the result of the payment of the mail subsidy, one of the conditions of which was that the sailings must be regular.¹⁵ As far as availability of high class steamers were concerned, Haji pointed out that this

13. Secretary, Indian Merchants Chambers, Bombay to the Dept. of Commerce 7 Aug 1934, Comm. Dept. GOI, fl. 15 M.I. (5)/54, NAI; Secretary Indian Merchants Chamber Bombay to the Dept. of Commerce, 29 Oct. 1927, Comm. Dept. GOI, fl. 20. M.I.(2)/29, pt.B, NAI; Proceedings of the Second Annual Meeting of FICCI, 28 and 29 Dec. 1928, Comm.Dept. ,GOI, fl. 499 - M.I./29, pt.B, NAI and FICCI Resolution, 14,15 and 16 Feb. 1930, MAM Papers, fl.69, NMML.

14. LAD, 20 Feb. 1929, Vol. I, pp.996-98.

15. Ibid.

occurred due to scientific achievement.¹⁶ Further, as far as uniformity and stability of rates were concerned, he showed how the Bombay trade, where there was no Conference or Deferred Rebate System, exhibited more stable rates than the Calcutta trade where there existed a rebate system since 1919. For instance, on 15 December 1920, the Bombay rate was 43s.9d and the Calcutta was 115s. On 3 January 1921, it was the same (31s.3d) for Bombay and 70s for Calcutta- the fall in rates in Calcutta was not low enough to match the expected rates, if there had been normal competition.¹⁷

Indian M.L.A.'s, in addition, supported the Bill for the Abolition of Deferred Rebates as it removed a major danger of the Bill for Coastal Reservation, namely, the perpetuation of an Indian monopoly. The abolition of deferred rebates would have led to the 'healthy development of indigenous coastal trade, a fact with which Haji was wholly in Agreement.¹⁸

The Government, as usual, turned a deaf ear to such arguments. On the contrary, it argued that the deferred rebate system was used against the Indian companies not because they were Indian but 'because they were breaking

16. Ibid.

17. S.N. Haji in LAD, 20 Feb. 1929, Vol. I, pp.998-99.

18. Ibid., pp. 1002-03 and 1021 and Bombay Chronicle, 14 Jan. 1930.

into a trade which had been built up by British companies during the last fifty five years' and that the Bill, if passed, would perpetuate the 'worst-kind of monopoly'¹⁹ - meaning in this case an Indian Monopoly. It appears that the existence of a 'British' monopoly was not an anathema to these 'so-called' protectors of Indian interests. Therefore, no action was to be taken regarding the abomination of deferred rebates, although the Government, perforce, had to admit that the system had been criticised by eminent jurists as "immoral in ethics and unfair in economics".²⁰ Such an admission, and their subsequent inaction in this regard, reveals the debilitating nature of colonialism.

The Scindia Company officials continued to air their grievances through constant correspondence and meetings with the Commerce Member and the Viceroy. As has been mentioned previously, they were able to garner the support of eminent nationalists like Motilal Nehru, Lala Lajpat Rai and, even, Gandhiji. The latter, in an article, titled, The Giant and the Dwarf, in Young India, dated 20 May 1931, criticised the destruction of Indian industries by the Britishers. In this connection, he mentioned the unfair competition by British

19. Sir James Simpson in LAD, 20 Feb. 1929, Vol. I, pp.1000 and 1001-2.

20. George Rainy in LAD, 17 Sept. 1931, Vol. V, p.578.

Shipping interests against Indian Shipping.²¹ The formation of the Indian National Steamship Owners Association (INSOA) in 1930²² provided an excellent medium to register their protests against the existing status quo.

However, the winds of change were apparent to those who cared to admit it. Lord Irwin, the 'liberal' Viceroy, was known to be 'sympathetic' to the Indian cause and, hence, he had called for a Conference of British and Indian Shipping interests in 1928²³ to solve the problem of coastal reservation. But, sympathy was not tantamount to action. The outcome of the Conference was a forgone conclusion. Although Lord Irwin, who presided over the Conference in 1930, stated that "what is desired is to find, if possible, some measure which would effect an increase, a definite increase, in the number of Indian Ships and a revision of the conditions of their economic employment";²⁴ the British Shipowners were not expected to concur with him. Sir George Rainy, the Commerce Member, had, in September 1929, anticipated that the new doctrine of negotiations might

21. G.D. Khanolkar, op.cit., pp. 222-3.

22. Ibid., p. 242.

23. Scindia Co., Note, no date, WH Papers, fl. 611, pt.2, NMML and K.V. Hariharan (ed.), So Iof M.A. Master, Vol. I, 291.

24. Quoted by Zafrullah Khan in LAD, 5 Feb. 1936, Vol. I, pp.186-187; The Scindia Co, in Walchand Diamond Jubilee Commemoration Vol. 1942, WH Papers, fl. 75(a), NMML and Amrita Bazar Patrika, 31 Dec. 1940.

fail.²⁵ In any case, it did not require great clairvoyance to predict the outcome of the Conference as the British officials and British vested interests worked hand in glove in order to achieve their ends. George Rainy, in a note to Lord Irwin written on 24 June 1929 had sought to dissuade the latter from bothering about reservation, by observing that "the forthcoming separation of Burma (with which and other provinces 54% of the interpostal cargo trade of India was carried) would reduce the coastal trade of India very substantially... the remainder would be hardly worth reserving as a means of creating a Mercantile Marine".²⁶ The British interests were not willing to cooperate and bluntly stated that they had no authority from their Home Boards to go into such matters.²⁷

Upon the failure of the Conference, a communique issued by the Government, on 6 January 1930, read as follows: "The Government of India will take into consideration, at an

25. Scindia Co. Note, no date, WH Papers, fl. 611, pt.II, NMML and G.Rainy in LAD, 23 Sept. 1929, Vol. IV, pp.1206-07.

26. A.Raisman's Note, 2 June 1932, Comm. Dept., GOI, fl. 20-M.I.(3)/32, pt.B, NAI.

27. 'The Scindia Co'. , Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl. 75(a), NMML; WH to George Rainy, 20 April 1941, WH Papers, fl.589 pt.I, NMML; M.A. Master to Narottam Morarjee, 15 June 1931 WH Papers. fl.589,pt.I. NMML and Extract from The Shipping World 15 Jan. 1930, MAM Papers, fl.44, NMML.

early date, the issues raised in the discussion which took place at the conference on the development of an Indian Mercantile Marine, as soon as it has been possible fully to consider these issues. The responsibility will rest with the Government of India of deciding what action should now be taken and whether any useful purpose would be served by inviting the interests concerned to meet again".²⁸ Neither did the Government seem to have any intention of taking any action on the lines mentioned in the communique, nor were they willing to aid Indian Shipping Companies by granting subsidies and bounties.²⁹ After the Conference, the Government was badgered in the Legislative Assembly³⁰ and by the Indian National Steamship Owners Association,³¹ to make some move regarding the development of the Indian Mercantile Marine, but it shied away from taking any action

28. Quoted in The Scindia Co., Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl. 611, pt.II, NMML; The Shipping World, 15 Jan. 1930, MAM Papers, fl. 44, NMML; MAM to Narottam Morarjee, 15 June 1931, WH Papers, fl. 589, pt.I, NMML and M.A. Master to A.C. Dutta (MLA), 7 Mar. 1961, WH Papers, fl.611, pt.I, NMML.

29. WH to George Rainy, 20 Apr. 1931, WH Papers, fl.589, pt.I, NMML.

30. B. Shahani in LAD, 29 Jan. 1931, Vol. I, pp.401-02; B.Das in LAD, 29 Mar 1932, Vol. II, pp.2586-87 and K.C. Neogy in LAD, 11 Sept. 1933, Vol. V, p. 2453.

31. The Indian National Steamship Owners Association to the Secretary, Dept. of Commerce, 11 Nov. 1930, Comm. Dept., GOI, fl. 20-MI(2)/31, pt.B, NAI.

in this regard by using such glib phrases like "the matter is under consideration" or that "the uncertain political situation"³² was not conducive towards the development of the Indian Mercantile Marine. Such excuses sufficed till the onset of the Second World War as 'reasonable' excuses for inaction!.

The Tripartite Agreement of 1923, as we saw earlier, ran into rough weather because the British side continued to contravene the clauses and the Indian side while protesting against this, were unable to resist this tendency on the part of the former. Before the renewal of the Agreement, in 1933, numerous meetings were held between representatives of both sides, often accompanied by a representative of the Government. Lord Inchcape persistently maintained that his side was honest and that the Scindia's had not adhered to the terms of the Agreement, by giving private rebates from Karachi to Tuticorin.³³ The Scindia's alleged that the Agreement was not working as it should have, since 1927, because, "... not only did the B.I. Company favour

32. B. Shahani in LAD, 29 Jan. 1931, Vol. I, pp. 401-02; B. Das in LAD, 29 Mar 1932, Vol. II, pp. 2586-87; K.C. Neogy in LAD, 11 Sept. 1933, Vol. V, p. 2453 and MA Master to A.C. Dutta, 7 March 1941, WH Papers, fl. 611, pt. I, NMML.

33. Minutes of interview between Walchand Hirachand, George Rainy and Inchcape in London, 8 July 1931, WH Papers, fl. 589, pt. I, NMML.

unjustifiably low rates of freight... but they give previous indications of low rates to the shippers, who naturally make the best out of a demoralised atmosphere... it is impossible for the Scindia Company, unlike the B.I., to make up their losses on Indian coastal trade by plying their ships on more paying routes, such as the Java, Africa and Persian Gulf trades wherein, much more, remunerative rates are usually maintained under the prevailing monopolistic conditions".³⁴

The Scindia's were hampered by their inability, as per the terms of the Tripartite Agreement, to enter into the overseas trades or fix rates of freight jointly with the B.I.Co.³⁵ The Scindia's alleged that methods such as secret rate wars and dumping of tonnage were employed to fight and cripple their Company. Smaller Indian companies were destroyed by open rate wars.³⁶ The Scindia's were running at losses due to low basic rates of freight. In 1930, the

34. Quoted in a Note of Scindia Co., 17 June 1929, MAM Papers, fl.46, NMML; M.A. Master to Bhore, 7 Dec. 1932, MAM Papers, fl. 77, NMML and Minutes of Interview between Capt. Wedgewood Benn, Secretary of State for India with M.A. Master, India Office, 1 Aug. 1929, WH Papers, fl.589, pt.I, NMML.

35. Note of Scindia Co., 17 June 1929, MAM Papers, fl.46. NMML.

36. Nalini R. Sarkar, President, Bengal Chamber of Commerce to the Editor, Fairplay, 10 Nov. 1932, MAM Papers fl.75, NMML and Memo of meeting between Directors of the Scindia Co. and Representatives of the B.I.Co. and Asiatic Company in London, 5 Sept. 1928. WH Papers, fl. 589, pt.I, NMML.

Company suffered a loss of Rs.5.72 lakhs, which included a provision of Rs.4 lakhs for depreciation. The Shipping Conference, at the beginning of the year, had been persuaded to make a small increase in the basic rate (from Rs.11 to Rs.12 per ton) for freight between Rangoon and Bombay but shortly after this was brought into operation, the non-Indian companies reverted to the old rates with retrospective effect.³⁷ Along with this, the invidious system of deferred rebates was very much in operation.³⁸ The Government officials and the British Shipping representatives accused the Scindia's of demanding high rates of freight which would not be in the interests of the consumers³⁹. The Scindia's denied this and stated that they were ready to fix even low rates of freight if the conditions of the freight market and other circumstances justified it; they were asking not for a high rate but an equitable and economic rate.⁴⁰

The Scindia's, also, demanded an increase in the

37. The Statesman, 19 Sept. 1930; The Bombay Chronicle, 14 Jan. 1930 and The Leader, Allahabad, 19 July 1929.

38. The Bombay Chronicle, 14 Jan. 1930.

39. Minutes of Interview between Capt. W. Benn and M.A. Master, London, 1 Aug.1929, WH Papers, fl. 589, pt. I, and MAM Papers, fl. 49, NMML and The Statesman, 19 Sept. 1930. and MAM Papers, fl.49, NMML.

40. Ibid.

tonnage of the Company as this was absolutely necessary for any progress in the road towards the development of an Indian Mercantile Marine. Since the Government had rejected two out of the three options open in order to achieve this; namely Haji's Bill for Coastal Reservation and subsidies and bounties offered by the Government, the only available option was an Agreement with the B.I.Co.⁴¹ Yet, the B.I.Co. perceived this demand as a move to drive them out of the trades.⁴² To this allegation came the counter query by the Scindia's as to how their Company, with its limited resources, could knock them out of trades which had been established only recently.⁴³ But the British Companies suggested, even in 1932, that the restrictions on the Scindia Co. should be allowed to continue.⁴⁴

The B.I. and the Asiatic Companies, as a corollary to the Tripartite Agreement, proposed, late in 1928, to bring, subject to certain conditions, the Scindia Company into a pool with them by including the earnings and tonnage of the

41. WH's Note, 14 July 1931, WH Papers, fl. 589, pt. I, NMML.
42. Note of meeting between the Directors of the Scindia Co. and representatives of the B.I. and Asiatic Companies, London, 12 Oct. 1928, WH Papers, fl. 589, pt. I, NMML.
43. Ibid.
44. WH to Joseph Bhore, 27 July 1932, MAM Papers, fl. 77, NMML.

Scindia Company and of certain of the earnings and proportionate tonnage of vessels of the B.I. and Asiatic Companies employed exclusively on the coasts of India, Burma and Ceylon. One of the conditions of such a pool was that the Scindia Company would agree to the "Managing Agents in India of the B.I. Company having the determining voice in the fixing of rates of freights."⁴⁵ The Scindia's did not find what the B.I.Co. had termed, 'a very generous offer' to be so. They felt that it did not improve the economic position of the Scindia Co. or offer, it any opportunity of future expansion. It, on the contrary, imposed new restrictions and obligations. Moreover, the fact that the B.I.Co. would have had the determining voice, in fixing the rates of freight, was an anathema to them. The Directors of the Scindia Co., therefore, rejected the "pooling arrangement".

In circumstances such as these and at a time when the Government was immune towards any move to develop the Indian Mercantile Marine, the Tripartite Agreement was renewed, in 1933, to operate upto the year 1939.⁴⁷ The Government had

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45. Quoted in a letter from William Currie (of the B.I. Co.) to the representatives of the Scindia Co., 12 Oct. 1928, WH Papers, fl.589, pt.I, NMML.
46. Ibid., MA. Master to Inchcape, 27 July 1929, WH Papers, fl. 589, pt.I, NMML; Note of Scindia Co., 17 June 1929, MAM Papers, fl. 46, NMML and M.A. Master to N. Morarjee, 24 May 1929, MAM Papers, fl.50, NMML.
47. Note by Shariff Hassum, President of Association of Small Steamship Companies, 21 Aug. 1934, MAM Papers, fl.97, NMML and Note by Comm. Dept. 17 June 1938, Comm. Dept., GOI, fl. 20-.I. (7)/38, pt. B, NAI.

to shake off its usual stupor and bring about this Agreement as it was recognised that the mood prevailing in the country could not be ignored. A reference was made to the views of the majority of non-official Indians being opposite to that of the Government⁴⁸ as also to the fear that the intransigence of Inchcape was likely to endanger the whole cause of commercial safeguards for British enterprises in India.⁴⁹ The Government, therefore, acted only when it perceived a danger to its interests.

At the time of the signing of the Agreement, the Scindia Co. had carried only 15.3% of the entire trade in one of its peak years (1930-31).⁵⁰ The new Agreement regulated and apportioned the cargo carried by the vessels of the three companies in the coasting trade of India, Burma

48. Part VI of the Report of the Conference on the operation of Dominion Legislation and Merchant Shipping Legislation, 1929, Comm. Dept., GOI, fl. 281-M.I/32, pt.A and S. Satyamurti in LAD, 5 Feb. 1936, Vol. I, pp.187-88.

49. A.Raisman's Note, 2 June 1932, Comm. Dept., GOI, fl. 20-MI(3)/32 pt. B, NAI and Aditya Mukherjee 'Indian Capitalist Class and Foreign Capital', Studies in History, Vol. 1, No.1, Jan-June 1979, pp. 117-118.

50. M.A. Master to WH, 19 May 1932, WH Papers, fl. 589, pt. II, NMML.

and Ceylon according to certain specified percentages⁵¹ and

51. 'Indian Coasting Trade', no date, Economic and Overseas Department (hereafter L/E), L/E/912, India Office Library and Records, London, Note on Tripartite Agreement, 17 June 1938, Comm Dept., GOI, fl. 20-MI (7)/38, pt.B, NAI and Draft of Agreement, MAM Papers, fl. 88 and 99, NMML.

According to the Agreement:

1. Share in the Carriage of Cargo by Cargo Vessels (excluding Coal and Salt)
 - a. from Burma ports to ports on the coast of India and Ceylon, in a year not more than 49% (B.I.Co.) 11% (Asiatic Co.) and 40% (Scindia Co.),
 - b. from Karachi to all India upto and including Calcutta and to the ports of Burma and Ceylon during a year to more than 50% (B.I.Co.), 7.5% (Asiatic Co.) and 42.5% (Scindia Co.),
 - c. from Bombay to all Western, Southern and Eastern coast ports of India upto and including Calcutta and to the ports of Burma and Ceylon during a year no more than 46.7% (B.I.Co.) 20% (Asiatic Co.) and 33.3% (Scindia Co.),
 - d. from Calcutta to all Western, Southern and Eastern ports upto and including Karachi and to the ports of Ceylon in a year not more than 60% (B.I.Co.), 15% (Asiatic Co.) and 25% (Scindia Co.).
2. Carriage of coal and salt by cargo vessels:
62.5% (B.I.Co.), 25% (Asiatic Co.) and 12.5% (Scindia Co.)
3. Gross Tonnage:
 - a. the B.I. Co. not to exceed 3,60,000 tons gross.
 - b. The Asiatic Co. not to exceed 80,000 tons gross.
 - c. The Scindia Co. not to exceed 1,00,000 tons gross

I am grateful to Mr. Aditya Mukherjee (My Supervisor) for allowing me to make use of references, pertaining to the India Office Records, London, in his possession.

allowed the Scindia Co. to increase its total gross tonnage to 100,000 gross tons.⁵² The Company was permitted to carry passengers on the Rangoon-Coromandel Coast and the Rangoon - Chittagong runs.⁵³ The rates of freight for the carriage of cargo and the scales of passenger fares were to be jointly fixed, in writing, by the parties after mutual consultation and consent and none of the parties was to quote or charge rates lesser than the rates thus fixed.⁵⁴ In the event of any dispute, the matter was to be decided by arbitration.⁵⁵ The Agreement had been an improvement upon the old one but it fell far below Indian expectations.

The Government was not prepared to improve upon this, although, the Commerce Members of the Government of India reportedly stated, in the Legislative Assembly in 1933 and 1936, that it was "the Government's responsibility to develop the mercantile marine and ensure adequate participation of Indians in the coastal and overseas trade".⁵⁶ The coastal reservation policy, on the other hand, was sought to be postponed on the ground that the new

52. Ibid. and The Scindia Co., in Walchand Diamond Jubilee Commemoration Vol., 1942, WH Papers, fl. 75(a), NMML.

53. Ibid.

54. Ibid.

55. Ibid.

56. See LAD, 11 Sept. 1933, Vol. V, p. 2453 and LAD, 5 Feb. 1936, Vol. 1, pp.187-188.

Constitution was in the making.⁵⁷ Until then, the Government sat tight, despite the the legality of coastal reservation having been previously certified by the Law officers of the Crown. The B.I.Co., in the meanwhile, enjoyed a monopoly in the carriage of passengers and mails as per the terms of an Agreement signed for ten years, on 26 May 1924, between the B.I.S.N. Co. Limited and the Government of India.⁵⁸ By writing down the values of its ships to nominal figures, the B.I.Co. cited low figures in its tenders and made it impossible for any Indian company to build new steamers to meet the requirements of the mail contracts and tender for the conveyance of mails.⁵⁹ Thus, the Government's claim that the Scindia Co. was given an opportunity to offer the lowest possible tender⁶⁰ was practically meaningless, given the circumstances.

A move further aimed at hitting Indian shipping enterprise was the issue of a Government circular, in 1934, addressed to all local Governments and Administrations

57. S.N. Haji to M.A. Master, 30 Sept. 1932, MAM Papers, fl.75, NMML.

58. M.A. Master to Joseph Bhore, 7 Dec. 1932, MAM Papers, fl. 77, NMML.

59. Ibid.

60. See LAD, 1 Dec. 1933, Vol. VIII, pp. 2452-53; LAD, 5 Feb. 1936, Vol. I, pp.193-194 and Master to J. Bhore, Commerce Member, 7 Dec. 1932, MAM Papers, fl. 77, NMML. The contract with the BISON was extended from 1934 to 1937.

asking them to advise the municipalities and local bodies under them to import the materials required by them in Empire vessels (meaning 'British Shipping') in order to assist and support Empire Shipping.⁶¹

In order to protect the Indian shipping Companies from ruinous rate -wars waged by British Shipping Companies and to secure a modest return on the capital invested by the regular shipping lines serving the coastal trade, Walchand, supported by the I.M.C., Bombay, proposed a system of licensing of tonnage operating on the coast by which at least 50% of the tonnage would be reserved for ships under 'national ownership', control and management, as the share of Indian shipping at that time was only about 20% of the entire cargo carried in the coastal trade of India, Burma and Ceylon.⁶² The Government, however, held that the proposal could be accepted only if based on the existing quota⁶³ for, in their view, an increase in the quota allotted to the Scindia's would involve 'expropriation of

61. Zafrullah Khan, Commerce Member, GOI in LAD, 4 Dec. 1936, Vol. I, pp.26-28.

62. WH to Zafrullah Khan, 10 Dec. 1935, Comm. Dept., GOI, fl. M.I.(9)/36, pt.B, NAI and Indian Merchants Chamber to The Secretary to the Government of Bombay, Political and Reform Department, 6 Jan. 1937, WH Papers, fl.29, NMML.

63. WH to Linlithgow, 31 July 1936, WH Papers, fl.595, pt.2, NMML.

British interests'.⁶⁴ Nevertheless, Walchand pointed out that the B.I. Company would have had to give up only a part of their near monopolistic share in the coastal trade under the proposed scheme.⁶⁵ But, the Government did not find the proposal acceptable and, also, took refuge behind the clauses of the Government of India Act of 1935, which forbade "discriminatory legislation".⁶⁶ The Scindia's had come up against the massive brick wall that was colonialism!

The Government of India Act of 1935 proved to be an adequate instrument in impeding the development of Indian shipping. Sections 113 to 116 provided commercial safeguards to make any move to "discriminate" against British shipping, by protecting Indian Shipping a virtual dead-letter.⁶⁷

64. Commerce Department Note, 8 Jan. 1936, Comm. Dept., GOI, fl.20-M.I.(9), pt.B, NAI.

65. WH to Linlithgow, 31 July 1936, WH Papers, fl. 595, pt. II, NMML.

66. Commerce Dept. Note, 8 Jan. 1936, Comm.Dept., GOI, fl.20 M.I (9)/36, pt.B, NAI.

67. Letter from the Indian Chamber of Commerce, Calcutta to the Secretary, National Planning Commission, 3 June 1939, WH Papers fl. 41, pt.II, NMML; The Scindia Steam Navigation Company in Walchand Diamond Jubilee Commemoration Vol. 1942, WH Papers, fl. 75(a), NMML, Bombay Chronicle, 4 Feb. 1938 and Extract from Council of State Debates, 7 Mar. 1935 Vol. I, Comm.Dept., GOI, fl. 283-M.I/35, pt.A, NAI.

The principle of reciprocity incorporated in the 1935 Act (meaning that British interests would not be subject to any disability to which Indian interests were not subject to in the U.K.) proved to be a mere facade because the said principle could not be applied to interests which were unequal - for there were hardly any Indian Concerns operating in the U.K., which could be compared in size and magnitude to British concerns, threatening indigenous enterprise in the export and import trade, shipping, banking and insurance and tea and jute. Moreover, the British Government, "even after a hundred years of industrialization, gave preferential treatment to British capital in key industries and put restrictions on foreign capital in order to protect national interests."⁶⁸

In this case, these sections of the Act were used to make it impossible to reserve the coastal trade for Indian vessels or to subsidise Indian shipping. The Scindia Company's representatives met Gandhiji in order to ascertain his views on the , 'discrimination' clauses of the Act and found him to be highly critical of the "policy of accenuating the inequality between unequals" and stating that" if the word 'discrimination' was to be used, it should

68. Aditya Mukherjee, Indian Capitalist Class and Foreign Capital, Studies in History (S.I.H), Vol. I. No.1, Jan.-June 1979, pp.117-118.

be against foreign interests, whenever Indian interests needed it".⁶⁹

Therefore, as far as the issue of coastal trade was concerned, the Bill for the "Control of Coastal Traffic of India", introduced by Sir A.H.Ghaznavi in the Legislative Assembly on 17 April 1936⁷⁰ was in keeping with the 'discriminatory clauses' of the Government of India Act of 1935 (as it could not make provisions for the 'reservation' of the coastal traffic in favour of Indians, unlike Haji's Bill of 1928 which had aimed, ultimately, at complete reservation of coastal traffic for Indian vessels). Simultaneously, a similar bill was introduced in the Council of State by P.N. Saprū.⁷¹ The Government's reaction was predictable. The fears of British interests, having been successful in inserting the 'commercial discrimination clauses', were not in any way dimmed as far as Indian efforts to build up their own mercantile marine was concerned. The Bill itself was a modest measure, for it

69. WH to The Scindia Co. 24 Mar. 1938, WH Papers, fl. 602, pt.1, NMML and Extract from Council of State Debates, 7 Mar. 1935, Vol. I, Comm. Dept., GOI, fl.283-MI(35), NAI. Criticism of the clauses was widespread. P.N. Saprū asked in the Council of State as to how there could be reciprocity as envisaged by the Act when British hands controlled 98% of coastal trade.

70. Bombay Chronicle, 4 Dec. 1938.

71. LAD, 17 Apr. 1936, Vol. II, p.4165.

could not 'reserve' the coasting trade of India for Indian vessels - it only recommended a penalty to be imposed in the event of unfair competitive practices being followed in the coastal traffic of India.⁷²

Indian shipping companies and merchant chambers were unanimous in their support for the principle underlying the Bill as it was stated, in the Objects and Reasons for introducing the Bill, that it was necessary for the encouragement of the development of an Indian Mercantile Marine.⁷³ Simultaneously, the Indians had 'reservations' about the effectiveness of the provisions cited in the Bill in developing the Indian Mercantile Marine as long as the anti-protectionist clauses of the Government of India Act, 1935 remained in operations⁷⁴. The Government of India was criticised for following an 'open door policy' as far as the shipping trade was concerned and suggestions came in from Indian quarters (Shipping concerns and commercial bodies) that only through the introduction of a carefully thought

72. 'Extract relating to the Bill for the Control of Coastal Traffic', Comm.Dept., GOI, fl. 20-MI(2)-36, pt.A, NAI.
73. A Bill to Control the Coastal Traffic of India, 1936, Comm. Dept. GOI, 20-M.I. (2)/36, pt.A, NAI and Bombay Chronicle, 4 Feb. 1938.
74. Ibid.; The Secretary Indian Merchants Chamber to the Secretary to the Government of Bombay, Political and Reforms Department, 6 Jan. 1937, WH Papers, fl. 29, NMML and Comm.Dept., GOI, fl.20 MI. (2)/36, pt.A, NAI.

out scheme of licensing of tonnage plying in the coastal trade of India (approximately around 51% for Indian owned, managed and controlled ships) it would achieve the object of the Bill, namely the development of an Indian Mercantile Marine.⁷⁵

The Government, as was its wont, disregarded the suggestion- it had made up it's mind to oppose the measure.⁷⁶ It also asserted that there was nothing, in the Act of 1935, which would make it necessary to reconsider their policy on shipping⁷⁷ nor did they think that their policy had failed to provide adequately for the development of an Indian Mercantile Marine.⁷⁸ A FICCI Resolution (in 1936) urged the Government, as it had been doing through the

75. Bombay Chronicle, 4 Feb. 1938; FICCI to Secretary to the GOI, Dept. Of Commerce, 30 Aug. 1938, MAM Papers, fl.136, NMML; M.K. Kapadia of the Merchant Steam Navigation Company to the Secretary to the Government of India, Department of Commerce, 13 Jan. 1936, WH Papers, fl. 595, pt.II, NMML and Shariff Hassum, President, Association of Small Steamship Companies to Hugh Dow, Dept. of Commerce, 14 Jan. 1936, WH Papers, fl. 595, pt.II, NMML.

76. FICCI to Secretary to GOI, Department of Commerce, 30 Aug. 1938, MAM Papers, fl. 136 NMML; M.A. Master to G.L.Mehta; (General Manager, Scindia Co.), Feb. 1937, MAM Papers, fl.125, NMML; Secretary, Indian Merchant's Chambers to the Secretary to the Government of Bombay Political and Reforms Department, 6 Jan.1937, WH Papers, fl. 29, NMML and Comm. Dept., GOI, fl.20 -MI(2)/36, pt.A, NAI; WH to H. Dow, Joint Secretary to Government of India, 9 Jan. 1936, Dept. of Commerce, GOI, fl.20 MI(2)/36, pt.A, NAI and Bombay Chronicle, 4 Feb. 1938.

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years, to undertake measures to develop the Indian Mercantile Marine.⁷⁹ Obviously, the Government's bombastic statements failed to make any creditable impact in changing Indian outlook.

In the debate on the Bill, the Government literally became a mouthpiece for British vested interests like the B.I.S.N.Co.⁸⁰ and Messers. Turner, Morrison and Co.Ltd.⁸¹ which strongly opposed the Bill as economically unsound. On 31 March 1936, in the motion for recirculation of the Bill as reported by the Select Committee (on 22 March, 1938)⁸² and the motion, on 9 August 1938, that the Bill as reported by the Select Committee be recommended to a Select Committee,⁸³ the Government was not constrained in

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77. G.L. Mehta to M.A. Master, 13 Feb. 1937, MAM Papers, fl. 125, NMML.
78. Scindia Co. Note, no date, WH Papers, fl. 611, pt.II, NMML, and LAD, 8 Apr. 1936, Vol. V, p.3711.
- 79 LAD, 5 Feb. 1936, Vol. 1, pp.187-188 and Scindia Co. Note, WH Papers, fl. 611, pt.II, NMML.
80. Minutes of the Meeting of the Committee of FICCI, 2 Mar. 1936, WH Papers, fl.22, NMML.
81. BISN Co. to Principal Officer, Mercantile Marine Department Bombay, 25 Dec. 1936, Dept. of Commerce, GOI, fl.20 MI(2)/36, pt.A, NAI.
82. Messrs. Turner Morrison and Company Limited, Bombay, to the Principal Officer, Mercantile Marine Department, Bombay, 9 Jan 1937, Dept. Commerce, GOI, fl.20 - MI(2)/36, pt.A, NAI.
83. Hugh Dow, Secretary, Comm. Dept. in LAD, 31 Mar. 1938, Vol. III, p.2458,

presenting an account of doubtful veracity in order to build up its case. It was stated, by the powers that be, that seventeen out of the nineteen members of the Select Committee seemed to dislike the Bill immensely.⁸⁴ This was not correct, as seen from the Select Committee's report, according to Ghaznavi only four persons were opposed to the Bill—two of them being members of the Government and the other two being members of the European group.⁸⁵ The Government objected to the Bill in principle and asked A.H.Ghaznavi to withdraw the Bill (the provisions of which had been altered by the Select Committee) and at the same time stated that they had no intention of bringing in another bill in its place.⁸⁶ Although, the motion for recommitting it to a Select Committee was adopted and it was hoped that the Bill would be adopted by the Assembly, despite the Government's opposition,⁸⁷ it never came up for discussion again in the Assembly. In addition, a similar Bill introduced by P.N.Sapru in the Council of State failed to secure enough votes to facilitate the reference of the

84. A.H. Ghuznavi in LAD, 9 Aug. 1938, Vol. IV, p.198.

85. A.H. Ghuznavi in LAD, 31 Mar. 1938, Vol. III, p.2459.

86. A.H. Ghuznavi in LAD, 9 Aug. 1938, Vol. IV, p.199.

87. Zafrullah Khan in LAD, 9 Aug 1938, Vol. IV, pp. 204-206.

Bill to a Select Committee.⁸⁸ The Government had successfully ignored the dilapidated state of Indian shipping over the years.

Whenever Walchand Hirachand had gone abroad, be it the Vienna Congress in 1933⁸⁹ or Geneva and Paris,⁹⁰ he had vociferously espoused the cause of the development of the Indian economy (especially shipping) which was in the doldrums.⁹¹ The Times of India, a pro-Government daily criticised Walchand for painting such a gloomy picture abroad, especially, when the Government was doing 'so much' for the country.⁹²

Facts, however, prove that it was otherwise. In 1933, Indian companies faced competition from Japanese companies operating in Indian waters and indulging in heavy rate cutting.⁹³ The Government relegated this issue to 'matters

88. See LAD, 9 Aug 1938, Vol. IV, p.207; Bombay Chronicle, 11 Aug. 1938 and The Eastern Economist, 1 Sept. 1944, p. 251.

89. Extract from the Council of State Debates, 29 Sept. 1937, Vol. II, Comm.Dept., GOI, fl.20 MI/37, pt.I, NAI.

90. Speech of WH at Vienna Congress, in Indian Chamber of Commerce Proceedings and Reports, 8 May 1933, WH Papers, fl. 12, pt.I, NMML.

91. The Times of India, 19 June 1935.

92. Ibid.

93. Ibid.

receiving their consideration'⁹⁴ which, in effect, meant that no action was to be taken. The Government stated that Indian companies were not barred from entering the overseas trade.⁹⁵ True, but the extent to which it was allowed to do so, as per the terms of the Tripartite Agreement of 1933,⁹⁶ was very negligible indeed. The gross tonnage of shipping employed in the Indian coastal trade was 4,76,380 gross tons, of which Indian tonnage was 99,800 gross tons and British tonnage comprised of 3,76,500 gross tons⁹⁷. The INSOA, on the one hand urged the Government to offer more opportunities to Indians for carriage of mails.⁹⁸ Indian tempers were running high. At this time, the Indian Commerce Member, Sir Joseph Bhore, recommended to Walchand (on the latter's pointing out that the Government was not doing much for Indian shipping) that the way should not be by direct assault but "wresting concessions bit by bit,"⁹⁹ -

94. Extract from the Council of State Proceedings, 18 Aug. 1933, Comm. Dept., GOI, fl.282, MI(3)/33, pt.B, NAI.

95. Ibid.

96. See LAD, 1 Dec. 1933, Vol. VI, p. 2457.

97. Statement of Sir Firoz Khan Noon, 22 Sept. 1937, WH Papers, fl. 611, pt.II, NMML and Zafrullah Khan in LAD, 5 Dec. 1938, Vol. VIII, p. 3781.

98. INSOA to The Secretary to the Government of India, Defence Department, 14 Nov. 1938, WH Papers, fl.605, NMML.

99. Bhore to WH, 10 May 1936 and WH to Bhore, 18 May 1936 in WH Papers, fl. 595, pt.II, NMML.

the Commerce Member, an Indian and one who was sympathetic to country's interests, probably felt that the mechanism of colonialism could well destroy a recalcitrant indigenous enterprise completely. Here was an example of an Indian colonial functionary who seems to have tried his utmost to develop the cause of Indian shipping.

In this connection, the Bore Award of 1935 assumes significance. The circumstances leading to this Award,¹⁰⁰ whereby 85% of the coastal trade on the Western Coast, in certain categories of cargo, was reserved for small Indian steamship companies, was the culmination of a long and protracted struggle by Indian steamship companies to obtain concessions in order to survive. The problem of the smaller Indian steamship companies, with very limited capital resources, is important, in the sense that they did not have enough resources to wage long drawn out wars on the entrenched British monopoly in Indian shipping. Both on the Eastern and Western coasts of the country, the problems faced by small indigenous companies assumed alarming proportions. On the Eastern coast, it was the Bengal Burma Steam Navigation Company that was in deep trouble. The BISN Company had increased their fare from Rs.12 to Rs.14 on the

100. 'The Scindia S.N.Co' in Walchand Diamond Jubilee Commemoration Vol. 1942, WH Papers, fl.75(a), NMML and LAD, 5 Feb. 1936, Vol 1, pp 189-90.

Chittagong Rangoon route but reduced it to Rs.8 as soon as the Bengal Burma Steam Navigation Company was formed¹⁰¹ in 1928. In addition to this, as ascertained by a Report of the Intelligence Department, the deferred rebates system and other unfair methods were resorted to like rewarding passengers with handkerchiefs and oranges. When the Bengal Burma S.No.Co. temporarily suspended their services in July 1932, in order to repair their boat, the BISN promptly raised their fares for deck passengers on the route by Rs.2.¹⁰² Despite the Intelligence Branch Report of 23 May 1932, Government sources, however, had held that the BISN Company's fares had not altered from 1927 to May 1932. But, they did admit, in December 1932, that the fare on the Chittagong and Rangoon route was raised by Rs. 2 in July

101. LAD, 8 Nov. 1932, Vol. V, p.1782.

102. The Leader, 19 July 1929; LAD, 12 Dec. 1932, Vol. V, pp. 3079-80, and Intelligence Branch Report, 23 May 1932, Dept. of Commerce, GOI, fl.15-M.I. (4)/30, pt. B, NAI.

It appeared to the Intelligence Branch that the BISN officials reduced the fares and occasionally they would let go a passenger free on receiving the Government tax of Rs.2/-only, but the same tickets were issued to passengers whether the fares were paid at the prescribed or concession rates. The accounts were probably adjusted from a 'secret fund' allotted for this particular purpose by the Board of Directors. The rates of the Bengal Burma Co., on the other hand, were fixed - seldom were their rates for ordinary passengers reduced and, if so, it was for invalids and destitutes only.

1932 by the BISN Co.¹⁰³ The Bengal Burma Steam Navigation Company was saved from sinking without a trace only when the Scindia Co. became the Managing Agents of the Company in 1934 and helped it to reorganise its services, which continued to ply for eight years till the fall of Burma.¹⁰⁴ On the Western coast, the small steamship companies were badly hit by the rate war waged by the BISN Co. - this issue was highlighted by various newspapers and representations by Merchant Chambers.¹⁰⁵ The Government, however, did not want to 'interfere' as they had never done so regarding similar complaints in the past.¹⁰⁶ It was a good 'excuse' to protect British companies like the BISN.

103. J. Bhore, Commerce Member, in LAD, 8 Nov. 1932, Vol. V, p.1782 and LAD, 12 Dec. 1932, Vol. V, pp.3079-80; Note of J.A. Woodhead, Secretary to GOI, Commerce Dept. to Commander, Royal Indian Marine, Nautical Survey of Port of Chittagong to Secretary to Government of India, 9 May 1932, Comm. Dept., fl. 15-M.I. (4)/30, pt.B, NAI.
104. The Scindia Co., in Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl.75(a), NMML.
105. Bombay Chronicle, 18 Aug 1932; Free Press Journal, 14 Aug 1932 and Secretary, Indian Merchants Chamber to the Secretary to the Government of India, Dept. of Commerce, 11 Aug. 1932, MAM Papers, fl. 75, NMML; T.Ryan, Comm. Secretary in LAD, 28 Sept. 1932, Vol. IV, p.1489; Shariff Hassum to Secretary to the GOI, Dept. of Commerce, 24 May 1932, Comm. Dept., GOI, fl. 15-M.I.(2)/32, pt.B, NAI and Note by Shariff Hassum, 21 Aug. 1934, MAM Papers, fl. 97, NMML.
106. Minutes of Interview which the Deputation of the Indian Shipping Companies had with His Excellency the Viceroy, 28 Oct. 1932, MAM Papers, fl.77, NMML and A representation from the Deputation to the Viceroy, no date, Comm. Dept., GOI, fl.15 -MI (4)/32, pt.B, NAI.

A deputation of Indian Shipping Companies comprising of the Scindia S.N.Co., the Bengal Burma S.N.Co. and other small Indian shipping companies met the Viceroy in 1932 and enumerated their grievances. These included the problems arising out of the rate wars on the West coast of India, the disappointing non-development of the Indian mercantile Marine and the Navy despite Government expressions regarding the fact that they recognised the importance of this to India, a reference to the failure of the Shipping Conference and Government inaction inspite of their statement that they would decide what action they should take for the development of an Indian Mercantile Marine as also the fact that there was no coastal reservation in India although it was followed by other nations in the world.¹⁰⁷

As far as the problem of small steamship companies was concerned, it was pointed out that if timely help was not given, these companies would be wiped out of existence due to unfair rate wars and other means adopted by the British interests.¹⁰⁸ The deputation demonstrated this by stating that, in the 1920s, the B.I. Company used to charge Rs.5/- per a ton over and above the usual rate of freight for cargo

107. K.C. Neogy in LAD, 11 Sept. 1933, Vol. V, p.2453.

108. A representation from the Deputation to the Viceroy, no date, Comm. Dept., GOI, fl. 15-M.I.(4)/32, pt.B, NAI and Council of State Debates, 23 Sept. 1932, GOI, fl. 282 M.I./32, pt.B, NAI.

from Malabar to Karachi on the plea of direct or non-direct sailing, but this toll on trade was removed as soon as the smaller companies entered the field.¹⁰⁹ In this connection, the Government had prepared itself in advance. The Commerce Department, in a note prepared for the Viceroy, stated that it was understood that the Indian Shipping concerns were going through a period of stress but it was also to be noted that the world was suffering from an unprecedented degree of depression and that it was inconceivable that any form of Government action could guarantee the profitable operation of shipping.¹¹⁰ However, the real reason could have been, the fact that, due to the excess of freight tonnage over the world's needs as a result of depression,¹¹¹ it was necessary for British shipping to make whatever gains that they could in Indian waters. Thus, it followed that the Viceroy lent a very sympathetic ear to the deputation but pointed out that the BISN Co., which occupied a dominant position in the Indian coasting trade, had been of considerable service to the economic life of India during the last 50 years and added that the solution of the question should be -----

109. A representation from the Deputation to the Viceroy, no date, Comm. Dept., GOI, fl.15-M.I.(4)/32, pt.B, NAI.

110. Note prepared by the Commerce Dept. for the Viceroy, no date, Comm. Dept., GOI, fl.15-M.I.(4)/32, pt.B, NAI.

111. The Statesman, 18 Apr. 1930 and Board of Trade to Foreign Office, 17 Apr. 1930, Comm. Dept., GOI, fl. 34-M.I.(3)/30, pt.B, NAI.

found in such a manner as would meet the 'reasonable' claims of all concerned.¹¹²

Therefore, negotiations and meetings between the members of this coastal conference (the B.I., the Asiatic and the Scindia companies) and the small steamship companies took place in order to discuss the terms by which the latter could enter the Conference. The small steamship companies viewed with apprehension the proposed signing of the Tripartite Agreement in 1933 between the BI, the Asiatic and the Scindias - they had fears that the Conference Lines would ultimately drive them into oblivion.¹¹³ However, their suspicions of the Scindias were misplaced. It was Walchand and the Scindias who urged Bhore to help the small steamship companies.¹¹⁴ The conditions imposed by the Conference in order to take in the small steamship companies were as follows: that they should not increase their present tonnage during the period of Agreement (7 years), that they should not trade on any route, except between ports from Bombay and

112. Minutes of Interview between the Deputation of Indian Shipping Companies and the Viceroy, 28 Oct. 1932, MAM Papers, fl.77, NMML.

113. Shariff Hassum, President, Conference of the Small Steamship Companies to Scindia Co, 26 Oct. 1933, MAM Papers, fl. 90, NMML.

114. WH to Bhore, 2 Dec. 1933, MAM Papers, fl.90, NMML and Scindia Co. to Shariff Hassum, 1 Nov. 1933, MAM Papers fl. 90, NMML.

Karachi on the one hand and the ports South of Mangalore upto Allepey on the other and vice versa; that they should not trade between Bombay and Karachi and that they should quote the same rates of freight as those fixed by the Conference. In return the Conference Lines would not carry on a rate war against them.¹¹⁵ The Scindias, who were treated in sufferance by the Conference members, were not surprised when the talks failed, due to the BI refusal to agree to the proposal by small steamship companies to leave the trade between Bombay and Karachi on the one hand and the ports south of Mangalore upto Allepey on the other and vice-versa entirely to themselves, for they had already been lifting 77% of the trade by themselves in the last three years.¹¹⁶ The B.I.Co., refused to agree to this and the resultant deadlock made the problem more acute as the Conference Lines got ready to retaliate against the small steamship companies who had reduced their rates,¹¹⁷ thereby,

115. M.A. Master to A.R. Raisman (Commerce Dept, GOI), 31 Oct. 1933, Comm Dept., GOI, fl. 15-M.I.(2)/32, Part B, NAI and 'The Scindia Co., in Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl.75(a), NMML.

116. Ibid.

117. Ibid., WH to Bhore, 3 May 1934, Comm. Dept., GOI, fl.15-M.I. (2)/32, NAI; Indian Chamber of Commerce, Calcutta to GOI, Comm. Dept., 3 Sept. 1934 and Buyers and Shippers Chamber, Karachi to Secretary, GOI (Comm.Dept.), 10 Oct. 1934, Comm. Dept. GOI, fl. 15-MI(2)/32, pt.B, and 'The Scindia Co., in Walchand Diamond Jubilee Commemoration volume, 1942, WH Papers, fl. 75(a), NMML.

causing a great source of worry to Indian merchant chambers who foresaw the further ruin of the Indian economy ¹¹⁸ as a result of the onset of rate wars.

The matter was referred to the Commerce Member, Sir Joseph Bhole, who held a meeting of representatives of shipping companies engaged in the coastal trade on the Western coast of India on 11 and 12 January 1935, and, on the basis of intense confabulations, conveyed his decision in the form of the Bhole Award.¹¹⁹ The Award gave the small steamship companies, comprising of the Eastern Steam Navigation Co, the Merchant Steam Navigation Company, the Malabar Steamship Co. and the National Steamship Company, the right to carry 85% of the trades out of certain categories of cargo on the Karachi-Bombay route and the Cannanore to Allepey route.¹²⁰ The Award was a major victory for indigenous shipping enterprise and the role of the Scindia's in bringing this about was considerable.

Problems for the small Indian shipping enterprise did not end, for rate wars continued on the Eastern Coast from

118. Ibid.

119. Note of Commerce Dept., no date, Comm. Dept., GOI, fl.15-M.I.(7)/34, pt.A, NAI; The Scindia Co., in Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl. 75(a) NMML and H Dow, Joint Secretary to GOI to Scindia Co., 20 Dec. 1934, MAM Papers, fl.97, NMML.

120. Ibid.

February 1935. The BI Co. drastically reduced the fares on the Rangoon and Calcutta route to strike at the Agarwal Steam Navigation Company (established in 1934), plying on the same route. The Government disregarded the Agarwal Co.'s petition, stating that it was they who had reduced the rates and started the rate war.¹²¹ Actually, this was not so - it was only in response to a resolution passed by the Passenger Service League, Rangoon, on 17 March 1935, to reduce the rate, that this was done. But the BI, as opposed to the Agarwal's rate of Rs.10 per person, brought down their fares from Rs.10, ultimately, to a level of Rs.6 and finally, the Agarwal Co. ceased to operate. The BI Co. then brought back their fares to the original level¹²² Another Indian enterprise had 'bitten' the dust.

Around this time, the Scindias appeared to be frustrated by the terms of the Tripartite Agreement which seemed to hem into a tight corner, making any spectacular progress in the field of shipping, virtually, impossible. Participation of Indian shipping in the coastal and overseas trade of India was virtually negligible and this point was

121. S. Satyamurti in LAD, 9 Sept 1935, Vol V, p.594 and LAD, 5 Feb. 1936, Vol. I, pp.190-93. Also see Telegram from Agarwal S.N. Co. to Commerce Member, 27 Apr. 1935 and letter to the same, 3 May 1935, Comm. Dept, GOI, fl.15-M.I.(3)/35, pt.c, NAI.

122. Ibid. and Hugh Dow to Agarwal S.N. Co., 11 May 1935, Dept. of Commerce, GOI, fl. 15- M.I.(3)/35, Part C, July 1935, NAI.

repeatedly brought home to the Government on the floor of the House,¹²³ but it could not soften the rigid stance of the Government who considered that they were doing what was possible 'under the circumstances'.¹²⁴

'The circumstances' included disapproval of coastal reservation or even help through the grant of bounties or subsidies.¹²⁵ Ironically, as a contrast, around this time, in the space of a year (beginning from May 1933), the German Government had placed a sum of R.M. 20 million as subsidies to German shipping companies - a fact noted by the British Embassy in Berlin and transmitted to the viceroy of India.¹²⁶ In contrast, the B.I. and P and O Co.'s had been getting subsidies amounting to Rs.15 lakhs since 1923 for the carriage of mails, when there was no inclination towards encouraging any Indian Company in this respect.¹²⁷ Still, even in 1935 and thereafter, there was to be no grant of subsidies to any Indian company.¹²⁸ In Canada, the

123. S. Satyamurti in LAD, 1 Dec. 1933, Vol. VII, p.2457.

124. Ibid.

125. Note prepared by the Commerce Dept. for the Viceroy, no date, Comm. Dept., GOI, fl. 15- M.I.(4)/32, pt.B, NAI.

126. Letter from the British Embassy, Berlin to Viceroy of India, 19 Sept. 1934, Comm. Dept., GOI, fl. 33-M.I.(2)/34, pt.B, NAI.

127. Council of State Debates, Vol. I, 7 Mar. 1935, Vol. I, in Dept. of Commerce, GOI, fl.283-M.I./35, pt.A, NAI.

128. Bhore in LAD, 27 Feb. 1935, Vol. II, pp.1535-37.

subsidy given by the Government to its shipping came to around \$ 2,312,258 per year and it gave the assurance that, if this proved to be insufficient, it would be increased.¹²⁹

The Scindia's were unhappy, given the fact that, from 1922 to 1935, they had lost about Rs.40 lakhs in rate-wars unleashed by British firms.¹³⁰ The Scindia's criticised the action of the BISN Co. in acquiring a controlling interest in the Asiatic Company, which meant a breach of the Tripartite Agreement, for prior to the signing of the Agreement there had been a division of quotas for carriage, with the Scindia's being denied the 50% of quota they had asked for. Now the BISN Co. by its action became more powerful as it acquired the Asiatic quota.¹³¹ Petitions to the Government could not elicit any favourable response - the Commerce Member, Sir Zafrulla Khan, put off the request for arbitration by the Scindias by stating that he could not force the BI to accept his arbitration¹³² Thus, this matter

129. WH to Sir James Grigg, Finance Member to GOI, 20 Oct. 1935, WH Papers, fl.595, pt.I, NMML.

130. WH to Sir Zafrullah Khan, 5 Sept 1935, WH Papers, fl. 594, NMML.

131. WH to Zafrullah Khan, 28 Nov. 1935 and 26 Jan. 1936 and WH to G.R. Campbell (of Messrs. Mackinnon Mackenzie and Company), 28 Nov. 1935, WH Papers, fl. 590, NMML; WH to Zafrullah Khan, 30 July 1935 and 22 Aug. 1935, WH Papers, fl. 594, NMML and WH to Zafrullah Khan, 22 Oct. 1935, WH Papers, fl. 595, pt.I, NMML.

132. Zafrullah Khan to WH, 26 Jan. 1936, WH Papers, fl. 596, NMML.

was consigned to the realm of 'sidetracked' issues.

As a result of getting a share in the passenger traffic between the Coromandel coast and Burma, the Scindia's were forced to agree to the stipulation of the Conference to raise the rates from Rs.10 to Rs.14 per person, as they were not in a position to carry on a freight war.¹³³ In a representation to the Viceroy, they pointed out that the Tripartite Agreement had established nearly 80,000 tons more of British shipping on the coast, while only 30,000 tons of Indian shipping found further opportunities of running in that trade (the share of the total coastal trade carried by Indian shipping came to only 22.9%).¹³⁴ Therefore, they urged for a revision of the Tripartite Agreement.¹³⁵ The Viceroy, however, stated that the Agreement represented a great improvement from the point of view of Indian shipping on the earlier Agreement of 1923, and that he had weighed the 'criticism' levelled by the Scindia's. He declared that he would undertake any action only after the Agreement expired in 1939.¹³⁶ Walchand expressed his disappointment in

133. Extract from Council of State Debates, Vol. I, 7 Mar. 1935, Dept. of Commerce, GOI, fl.283-M.I./35, pt.A, NAI.

134. WH to the Viceroy, 24 Apr 1936, WH Papers, fl.595, pt.II, NMML.

135. Ibid.

136. Linlithgow to WH, 8 June 1936, WH Papers, fl. 595, pt.II, NMML.

a letter to the Viceroy and stated that it was merely a continuation of Governmental policy couched in polite language.¹³⁷

Considering the fact that the Indian participation in the overseas trade was marginal, Walchand Hirachand proposed, in 1935, to start a passenger service between Bombay and Europe, preferably between Bombay and Italy.¹³⁸ The attitude of the British interests was stiff and hostile. It was quite apparent, from the statements of the P&O Company, that they did not want to allow the introduction of a new Indian line (i.e., The 'Hind Lines' of Walchand Hirachand), into a trade totally dominated by them.¹³⁹ They stated that they were not the only Line involved and that the consent of other British and foreign Lines would be needed, and they also felt that the Scindia Company of Walchand had already obtained enough concessions through the Tripartite Agreement.¹⁴⁰ Walchand recognised the 'brush-off' and said that the question of consulting other lines was not a

137. WH to Linlithgow, 20 June 1936, WH Papers, fl.595, pt.II, NMML.

138. WH to Alexander Shaw (Chair man of the P&O Co.), 27 June 1935, WH Papers, fl.594, NMML.

139. Alexander Shaw to WH, 2 July 1935, WH Papers, fl.594, NMML.

140. Ibid. and WH to Alexander Shaw, 11 July 1935, WH Papers, fl.594, NMML.

'plausible' excuse, as the P & O Co. dominated in the passenger trade from Bombay to Europe.¹⁴¹ He protested against the term 'concessions' used in relation to Indian Shipping;¹⁴² what they received was part of their 'rightful share' which had been taken away by the Europeans. A draft application for Government assistance for the proposed trade (Rs.2,20,00,000 for the proposed scheme for a period of ten years with a guaranteed interest at 3% per annum on the capital)¹⁴³ was unceremoniously brushed aside - an action not in consonance with their declared policy of furthering the cause of Indian shipping.¹⁴⁴ The Scindia's admitted that the Government was right, when they said that it was contravening the clauses of the Tripartite Agreement but pointed out that the universal feeling in the country had been in favour of the proposal and that the Government had sacrificed the 'moral right' of the Indians to enter the trade (despite the Tripartite Agreement which they had been forced to sign in order to save themselves from being wiped

141. Ibid. and Bombay Chronicle, 22 Mar. 1939.

142. Ibid.

143. WH to Sir James Grigg, Finance Member to GOI, 20 Oct. 1935, WH Papers fl.595, pt.I, NMML and LAD, 2 Oct. 1936, Vol. VII, p.2242.

144. WH to Linlithgow, 24 Apr. 1936 and 20 June 1936, WH Papers, fl. 595, pt.II, NMML.

out) for the sake of the P & O Co.¹⁴⁵ In any case, when the British signatories to the Agreement had not been strictly observing its terms to the letter (by conducting 'hidden' rate wars and the acquisition of controlling interest in the Asiatic Co. by the B.I. Co.), the Scindia Co. could be excused for demanding something, legitimately, necessary for the development of Indian shipping. In this context, a statement by Sir Rahimtoola M. Chinoy assumes significance. According to him, "it is not the lack of initiative that prevents Indian shipping from going to the overseas trade... but the real fact is that their hands are fettered and hence they cannot take their share in that trade".¹⁴⁶ Colonial tentacles managed to restrict Indian shipping to a "confined" position.

The scene on the Coastal trade front was deplorable. FICCI resolutions,¹⁴⁷ urging the Government to reserve the coastal trade to Indian vessels to around 51% of the total tonnage and to facilitate entry into the overseas trade,

145. WH to Linlithgow, 20 June 1936 and 31 July 1935, WH Papers, fl.595, pt.II, NMML and LAD, 2 Oct. 1936, Vol. VIII, p.2242 and The Scindia Co., in Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl. 75(a), NMML.

146. Statement by Sir Rahmitoola M. Chinoy, 2 Feb. 1935, WH Papers, fl. 611, pt.II, NMML.

147. FICCI Resolution, 30 and 31 Mar. 1935 Comm. Dept., GOI, fl. 20-M.I. (2)/35, pt.C, NAI.

notwithstanding, the Government continued to state that they would do all they could according to the stated policy of helping Indian shipping; 'when the occasion or circumstances for such action arose'.¹⁴⁸ But the Indians castigated them for dancing to the tune of British companies like the BI Co. and others.¹⁴⁹ At a time, when (in the late 30's) British Shipping in the Orient was threatened by the competition from other countries, the Imperial Shipping Committee, by defining British Shipping as shipping registered in the British Commonwealth, including the Indian Empire, urged greater 'cooperation between the British shipowners and the growing mercantile marine in other parts of the Europe. This elicited a derisive response from the Indian side. Walchand stated that until India felt that even national shipping had its proper share of the trade, she would not have any interest in the weakening a position of British shipping in the Orient.¹⁵⁰ This was a fitting reply by the colonial subjects to their colonial overlords.

As far as the employment of 'cadets' passing out from the I.M.M.T.S. Dufferin was concerned, the same obstacles were faced, wherein, British companies appeared reluctant to -----

148. Zafrullah Khan in LAD, 8 Apr. 1936, Vol. V, p. 3711 and Zafrullah Khan in LAD, 26 Jan. 1937, Vol. I, p.221.

149. A.H. Ghuznavi in LAD, 2 Sept. 1937, Vol. V, p.1023.

150. Bombay Chronicle, 22 Mar. 1939.

take them in their employ. The Scindia Co. had been one of the six institutional corporations offering scholarships to Dufferin cadets, along with six scholarships awarded by the Government¹⁵¹. The B.I., the Asiatic and the P & O Cos. did not figure among the list of companies awarding scholarships. The other five assigners of the scholarship were the Bombay Port Trust, the Karachi Port Trust, the Karachi Municipality, the Madras University and an individual called R.N. Patrick.¹⁵² While British companies had agreed to take Dufferin cadets as their apprentices,¹⁵³ when it came to employment they were very lackadaisical about it, despite the Government's observation in the prospectus of the IMMTS Dufferin that "the Government of India consider that apprentices who give satisfaction would be able to obtain employment".¹⁵⁴ Upto the end of August 1937, the number of Ex-Dufferin cadets employed by Shipping Companies was as follows- The Asiatic Co.; 5, the BISN Co., 16, the Mogul Line; 2, the Bombay Co.; 1, Messrs. Cowasjee Dushaw and Brothers-1, The Eastern S.No.Co.-1, and the

151. Indian Chamber of Commerce, Calcutta, 2 May 1931, Comm. Dept. GOI, fl. 151-M-II(15)/31, pt.B, NAI.

152. Ibid.

153. George Rainy in reply to a question in LAD, 11 Mar. 1929, Vol.II, p.1663.

154. K.C. Neogy in LAD, 28 Sept. 1932, Vol. IV, p.1489.

Scindia Co., 40.¹⁵⁵ Therefore, the Scindias¹ employed nearly 60% of the total. Moreover, they took candidates rejected by companies like the P&O Co. as their own employees.¹⁵⁶ The British Companies were known to be absolutely adamant about not taking in Dufferin Cadets and the Government, while professing its helplessness in forcing them to take these cadets as employees,¹⁵⁷ was not willing, despite exhortations by G.V.Pant and others in the Legislative Assembly¹⁵⁸ and by FICCI,¹⁵⁹ to undertake legislation to enforce this issue by making it imperative for all shipping companies to employ Dufferin cadets. Instead, it stated that such a situation had not arisen as to merit any fresh action in this regard.¹⁶⁰ It was seen that when the true picture came to be known to the Indian populace, the number of candidates for admission to the T.S. Dufferin fell

155. Statement laid on the table of the House, LAD, 13 Sept. 1937, Vol. V, p.1555.

156. Zafrullah Khan in reply to a question in LAD, 4 Feb. 1936, Vol. I, p.17.

157. Zafrullah Khan in LAD, 6 Mar. 1937, Vol. II, pp 1454-1455.

158. LAD, 28 Mar. 1935, Vol.II, p. 2950.

159. FICCI Resolution, 2 Mar. 1936, WH Papers, fl.22, NMML; FICCI Resolution, 28 and 29 Dec. 1928, Comm.Dept., GOI, fl.499-M.I./29, pt.B, NAI and FICCI Resolution, 14-16 Feb. 1930, MAM Papers, fl. 69, NMML.

160. George Rainy in LAD, 28 Sept. 1932, Vol. IV, p. 1490.

considerably by 1938.¹⁶¹ Yet, the Government tried to bluster its way out of this situation by stating that they had been maintaining the T.S. Dufferin at an annual cost of about Rs.2 lakhs since the last ten years, which was a considerable subsidy to Indian companies who would have had to bear the cost of training themselves.¹⁶²

The Scindia's were quick to point out that previous to this, the Indian companies had been doing it themselves. By taking Dufferin cadets as apprentices, it were 'they' who were making the Dufferin a success¹⁶³ and not the Government. The Government, in fact, had a history of acting only upon prodding; therefore, the arrangements for higher training in marine engineering only came about in 1935, after continuous pressure by the Indian National Steamship Owners Association.¹⁶⁴ Therefore credit for all development should be given to Indian efforts in wresting whatever they could out of a reluctant colonial Government.

In 1937, the Scindia Company ventured to make an entry

161. Bombay Chronicle, 17 Jan. 1938.

162. Zafrullah Khan in LAD, 3 Sept. 1935, Vol. V, p.1068.

163. The Times of India, 11 Dec. 1934,

164. Notes of the Dept. of Education, Health and Lands, 14 and 15 Nov. 1931 and Text of Haj Inquiry Committee Report, in Comm. Dept., GOI, fl. 71-M.I.(4)/32, pt.B, NAI.

into the Haj traffic a route, which till that time had been the sole monopoly of the Mogul Line (a British company). The Mogul Line had consistently indulged in heavy rate cutting, whenever they perceived the threat of entry of fresh competitors, and at other times they charged exorbitant rates of fare.¹⁶⁵ The Haj Inquiry Committee had, in 1931, proposed an amendment of the Indian Merchant Shipping Act in order to ^{fix a} minimum fare for all pilgrim ships and recommended an addition to the rule-making power of the Government so as to enable it to deal with this subject. Also, any company giving illegal concessions was to be penalised.¹⁶⁶ These recommendations did not find favour with the Government, due to obvious reasons,¹⁶⁷ and, hence, the Mogul Line, reigned supreme.

Into this scenario, encouraged by Muslim leaders like the Aga Khan and national leaders like Jawaharlal Nehru,¹⁶⁸ the Scindia's entered the trade with the S.S. Englestan sailing from Calcutta on 27 December 1937 (with 678 pilgrims) and the S.S. El Medina from Bombay on 3 January

165. Ibid.

166. Ibid.

167. Bombay Chronicle, 3 Jan. 1938 and 22 Aug. 1938.

168. Ibid. and Bombay Chronicle, 28 Dec. 1937.

1938.¹⁶⁹ Although, they had asked the Government for an assurance against rate wars, the latter stated, in a non-committal manner, that if they felt that the state of competition between rival companies constituted a rate war, then action would be undertaken.¹⁷⁰ This, certainly, was not an assurance.

1938 was the year of a murderous rate war unleashed by the Mogul Line. Following a complaint by the Scindias, the Government convened a conference, inviting representatives of both Companies, to examine the complaints of rate wars and resolve the issue. This conference was a farce because the Mogul Lines' representatives stated, ^{that} they were present only to watch and report the proceedings to their Board¹⁷² which, in effect, meant that the problem was not to be solved. To add insult to injury, the Agents of the Mogul Line, Messrs. Turner Morrison and Company charged the Scindia's for having started a rate war¹⁷³ This was

169. S.J. Pandya to The Secretary to the GOI, Dept of Education, Health and Lands, 7 Oct. 1936 and M.W. Yeats, Depy Secretary to the GOI, Dept of Education, Health and Lands to the Manager, Scindia Co., 11 Dec. 1936, WH Papers, fl. 599, NMML.

170. Bombay Chronicle, 30 July 1938.

171. Ibid.

172. Bombay Chronicle, 4 Aug. 1938.

173. Ibid.

absolutely untrue, for Messrs. Turner Morrison & Co., themselves in a communique, issued on 1 December 1937, (that is, even before the Scindia Company had berthed its steamers) stated that "at a recent meeting of the Directors of Turner, Morrison and Company, it was decided to enter into a rate war".¹⁷⁴ Government representatives also admitted that was so upon the onset of a rate war and also testified to the fact that Turner, Morrison and Company had made statements to that effect.¹⁷⁵

The Agents of the Mogul Line also published a leaflet asking Haj pilgrims to book their tickets in those ports where they would obtain the lowest possible rates and also announced reductions in their rates of fares from Bombay and Karachi to Jeddah by Rs. 100 each, in the case of first and second class return fares, and Rs.25 in the case of deck return fares.¹⁷⁶ Upon representations by the Indian Merchants Chamber and constant questioning by Indian members in the Legislative Assembly,¹⁷⁷ the Commerce Member intervened and fixed, with the consent of both parties, a minimum return

174. See LAD, 21 Mar. 1938, Vol. 2, p. 1881.

175. Bombay Chronicle, 22 Aug. 1938 and Zafrullah Khan in LAD, 19 Sept. 1938, Vol. VI, p. 2683.

176. Ibid.

177. Ibid. and Bombay Chronicle, 19 Sept. 1938.

fare of Rs.115 for the season from Karachi and fares from other ports to be adjusted accordingly-this was to be effective from 27 October 1938.¹⁷⁸ However this failed to work, with both parties levelling allegations of undercutting of rates against each other, and on 1 December 1938, the Mogul Line sent a Notification to the Government mentioning that they had decided to terminate the Agreement.¹⁷⁹ No action was taken against them and they were free to quote their own fares.¹⁸⁰ The Government had no power to control the British Line. The subsequent events relating to this issue will be taken up in the next chapter.

Thus, it was seen that this period was also one of headlong confrontation combined with arbitration and negotiations with British vested interests and the colonial Government. This was also a time when the Scindia's sought to obtain nationalist support for their cause. Prominent leaders like Jawaharlal Nehru, G.V. Pant, Sardar Vallabhbhai Patel among others constantly made appreciative speeches regarding Scindia efforts. Jawaharlal Nehru on the occasion of the launch of the El-Medina, on 3 January 1938, said "....I commend the enterprise of the Scindia Company in running

178. See LAD, 14 Nov. 1938, Vol.VII, p. 2919 and LAD, 8 Dec. 1938, Vol.VIII, p.4111.

179 Ibid.

180. Ibid.

this line...¹⁸¹ and, on 23 December 1938, remarked "We have been in the past a great maritime nation: and, even today, we have the talent, the trained men and the resources to build up great shipping services. The Scindia Company has been a pioneer in this field and, inspite of opposition and obstruction, has made good. It has deserved its success".¹⁸² On another occasion Sardar Vallabhbhai Patel (at the opening of the Scindia House in Bombay on 23 December 1938) complemented the efforts of the Scindia Company by declaring that ".....they (the Scindia's) must have had occasions in their checquered and eventful career, when they might have had to yield or compromise in order, sometimes, even to exist owing to the exigencies of the situation. But they need not feel sorry for it, because they had kept the flag of National Shipping flying all these years".¹⁸³ This certificate of approval for the Scindia Company's work gave it moral support to carry on the struggle.

The Scindia Co. had managed to survive, yet another painful period fighting against a system which would have been happy at its demise.

181. Bombay Chronicle, 3 Jan. 1938.

182. Statement of Pt. Jawaharlal Nehru, 23 Dec. 1938, WH Papers, fl. 611, pt.II, NMML.

183. WH's Speech on the Occasion of the launching of S.S. Jalaprabha by Sardar Vallabhbhai Patel, 20 Nov. 1948, WH Papers, fl. 238, NMML.

CHAPTER - III

**The Scindia's and Shipping during the
War Years : 1939-mid 1947**

Chapter III

THE SCINDIAS AND SHIPPING DURING THE WAR YEARS (1939-MID 1947)

Resuming the Haj traffic controversy, both the Lines, competing on the Haj route, tried to garner Muslim support. The Scindia's had the backing of His Highness, the Aga Khan.¹ The Mogul Line approached the Jamiat- ul- Ulema but were unsuccessful in obtaining their support.² The Government, while not unaware of the existing situation, did not feel that it was necessary for the grant of subsidies to the Indian Mercantile Marine.³ Yet, in the matter of the Haj traffic, it was the Mogul Line that benefitted due to Government benevolence. Following the allegations of rate cutting by both the companies against each other, referred to in the previous chapter. The Government stepped in, in 1939, and allotted the share of the Haj traffic, ostensibly, on the basis of the tonnage and number of steamers made

1. His Highness, the Aga Khan's statement, 25 Jan. 1939, WH Papers, fl. 611, pt. II, NMML and Bombay Chronicle, 26 Jan. 1939.
2. G.D Khanolkar, WH, Man, His Times and Achievements, p. 287.
3. Zafrullah Khan in LAD, 3 Apr. 1939, Vol. IV, pp.3188-89.

available by both companies.⁴ As the Mogul Line had seven steamers and the Scindia's three, the allotment was 75% for the former and 25% to the latter⁵; and a charge of a minimum return deck passage fare for a pilgrim from Bombay to Jedda of Rs.121.⁶

Although, the cost of operations were rising and the Scindia's protested against the clamping of an uneconomic rate. The Government showed no inclination for an increase in the rate of fares.⁷ It was very well for Mr. Radcliffe, the Chairman of the Mogul Line to have stated, on 8 November 1938, that "The Mogul Line desires to assure the Muslim public that it has no intention of increasing the existing rate of fares even if competition ceases... provided that Government regulations for the trade do not reduce vessels carrying capacity or that other circumstances do not materially increase the carrying cost".⁸ Such righteousness

4. The Assam Herald, 9 Dec.1939 and Chronicle, 23 Dec. 1939 in WH Papers, fl. 45, NMML; Scindia Co. Note, 19 Mar. 1941, in WH Papers, fl.61, pt.I, NMML and G.S. Bajpai, Education Secretary in reply to a query in LAD, 18 Mar. 1940, Vol.II, pp.1954-55.

5. Ibid. p. 1438.

6. Scindia Co. Note, 19 Mar. 1941, WH Papers, fl.61, pt.I, NMML.

7. Ibid.

8. Ibid.

was a sham. Even in the deployment of steamers, the Mogul Line played foul. 75% of the trade had been allotted to them on the ground that seven of their steamers would be in operation, but in actual fact only three were used;⁹ a number equal to that of the Scindia's. Yet, it were the Scindia's who were criticised in certain quarters, for asking for raised fares and a greater share in the trade (about 50%), on the grounds that they had no consideration for the pilgrims.¹⁰ That the Mogul Line was, practically, prospering by effectively employing its steamers (out of the Haj quota) in the coastal trade, escaped the notice of many. Some Muslim leaders, however, came to know of this subsequently.¹¹ and when the Scindia's finally, had no option but to opt out of this route (which was bound to bring them to the, brink of economic ruin),¹² in 1939, there were many protests in the country.

9. Chronicle, 23 Dec. 1939, in WH Papers, fl.45, NMML.

10. The Assam Herald, 9 Dec. 1939 in WH Papers, fl. 45, NMML; Bombay Sentinel, 27 Dec 1939; and Scindia Co. Note., 19 Mar. 1941, WH Papers, fl 61, pt.I, NMML.

11. Chronicle, 23 Dec. 1939 in WH Papers, fl.45, NMML. A statement protesting against the forced withdrawal of the Scindia Co. from the Haj traffic was issued by Khwaja Hassan Nizami, a prominent Muslim leader.

12. Ibid; Free Press Journal, 24 Nov. 1939, WH Papers fl.45, NMML and The Hindusthan Standard, 16 Nov. 1941, WH Papers, fl. 45, NMML.

Muslim leaders and the Port Haj Committees of the three Haj ports in Bombay, Calcutta and Karachi rued the fact that with the withdrawal of the Line, which had been responsible for raising the standard of comforts and amenities, unsatisfactory conditions would prevail following a regress to the monopolistic period.¹³ The FICCI also brought into focus the double faced character of the Government which was always "willing to arbitrate when a Company managed by non-Indians appealed to them to do so, but when a concern owned, controlled and managed by Indians themselves... appealed to them to help them to maintain their position in a trade which belonged as a matter of right to India, they expressed helplessness and looked on with unconcern at the strengthening rate war now raging for (the) last two years."¹⁴

When the Conference of Shipping interests was held at Simla, in August 1941, in connection with the Haj traffic, the Scindia's showed their willingness to enter the trade during the current season.¹⁵ They were willing to agree to

13. Scindia Co. Note, 19 Mar. 1944, WH Papers, fl. 61, Pt.I, NMML; A.H. Ghuznavi in LAD, 18 Mar. 1940, Vol.2, p. 1488 and Free Press Journal, 24 Nov. 1939, WH Papers, fl.45, NMML.

14. Observation by Mr. Jamshed N.R. Mehta, President of the FICCI, 8 Apr. 1939, WH Papers, fl.590, NMML and Bombay Chronicle, 2 Aug. 1939 and 11 Aug. 1939.

15. A.R. Mudaliar, Commerce Member in LAD, 11 Nov. 1941, Vol. IV, p.593.

any reasonable scheme like alternate sailings between the two Lines and also accept the rates of fares laid down by the Government.¹⁶ In addition, the Company asked for the release of two of their cargo steamers (which had been requisitioned by the Government due to the war) in return for engaging two of their passenger steamers for the Haj traffic. ¹⁷ For all this the Scindia's were willing to abstain from a claim for an equal share in the trade.¹⁸ The Government could have taken over two British ships and released the Scindia boats, as British shipping Companies were provided with as much tonnage as they wanted by the British War Transport Board,¹⁹ yet they did not do so, and explained to the Scindia Company that it was impossible to 'forecast' defence requirements and that they would 'endeavour' to release the two ships from requisition.²⁰

16. Ibid.; The Hindusthan Standard, 16 Nov. 1941 in WH.Papers, fl.45, NMML and M.A. Master to The Indian Chamber of Commerce, 2 Nov. 1940, WH Papers, fl.61, pt.I, NMML.
17. The Hindusthan Standard, 16 Nov. 1941, WH Papers, fl. 45, NMML and A.R. Mudaliar in reply to a question in LAD., 11 Nov. 1941, Vol. IV, p. 593.
18. The Hindusthan Standard, 16 Nov. 1941, WH Papers, fl.45, NMML and The Scindia Co. in Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl.75(a), NMML.
19. Ibid.
20. A.R. Mudaliar in reply to a question in LAD., 11 Nov. 1941, Vol. IV, p. 593.

Subsequently, they declared that only one steamer could be released.²¹ The Scindia's issued a statement in mid-October 1941, to the effect, that they could wait for the release of the second ship, even till late January.²² But, the Government made the presumptuous assumption that the Scindia's, by their attitude in pressing for the release of a second ship, showed an unwillingness to participate in the trade and, hence, they (the Government) made alternative arrangements for the pilgrims²³ -the Company chosen for the job was, undoubtedly, the Mogul Line. The Government's action came without allowing any time for the Scindia Company to give a reply in writing.²⁴ The Commerce Member later admitted that the Company had, in fact, intimated, subsequently, its willingness to accept the qualified assurance proposed by the Government.²⁵ Yet, the case was not reopened.

21. Ibid.; The Hindusthan Standard, 16 Nov. 1941, WH Papers, fl.45, NMML.

22. Ibid.

23. Ibid. and M.A. Master to Indian Chamber of Commerce, 2 Nov. 1940, WH Papers, fl.61, pt.I, NMML.

24. The Hindustan Standard, 16 Nov.1941, WH Papers,, fl.45, NMML.

25. Ibid. and The Scindia Co. in Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl.75(a), NMML.

Once the Mogul Line resumed its operations in complete monopoly, the Government seemed to forget their disinterestedness in rising operational costs (which the Scindia's had referred to) in the previous season and came up with an ingenious explanation, for offering subsidies to the Mogul Line, by stating in a communique issued on 31 October 1940, that"... for the current year, His Majesty's Government and the Government of India have decided to meet a considerable part of the extra cost of voyages resulting from war conditions and therefore, it has been possible to keep the fares to be charged to pilgrim at a level much lower than actual costs would justify".²⁶

As referred to earlier, the Mogul Line had announced that fares would not be raised even if competition ceased but during the 1940/41 season, with the Government's permission, it succeeded in raising to Rs.195/- the return deck passage fare between Bombay and Jedda,²⁷ in contrast with the earlier fare of Rs.121/ in peace times - an increase of 15%. In addition, the subsidy to be paid by the Government was also contributed as part of the cost of war-risk insurance as also any expenditure arising out of delays

26. M.A. Master to Indian Chamber of Commerce, 2 Nov. 1940, WH Papers, fl.61. pt.I, NMML and Scindia Co. Note, 19 Mar. 1921, WH Papers, fl. 61, pt.I, NMML.

27. Ibid.

to ships.²⁸ Out of a total subsidy of Rs.4,50,000, His Majesty's Government had to bear two thirds, leaving the rest to be borne by the Government of India.²⁹ This came to a subsidy of around Rs.88 per passenger for that season, as 5,062 passengers had been carried by the Line. Moreover, the Line saved Rs.7.10 p per pilgrim owing to reduction in the Jedda Sanitary Dues payable by the Shipping Companies.³⁰ Therefore, the actual rate per passenger, as obtained by the Mogul Line, was Rs.290.10 p which meant an increase of over 140% over the pre-war period.³¹ Seeing the amount of subsidy through which the Mogul Line prospered, after the Scindia Company had been booted out of the routes despite popular support for its continuance, it is not difficult to conclude that the Government followed a very 'discriminatory' policy entirely against Indian interests. The Scindia's efforts in the Haj traffic route came a 'cropper' because colonialism could not tolerate indigenous competition against its own!

As far as the Tripartite Agreement (due to expire on 31 December 1939) was concerned, the Scindia's conveyed their

28. Ibid.

29. MA Master to Indian Chamber of Commerce, 2 Nov. 1940, WH Papers, fl.61, pt.I, NMML.

30. Ibid.

31. Ibid.

intentions of giving notice (six months prior to its expiry as per the terms of the Agreement) to terminate it, in order to secure better terms, for they had had to pay a heavy price by agreeing not to enter the overseas trade. 32 Therefore, they urged His Excellency, the Viceroy to intervene in order to help them in obtaining a better deal.³³ Correspondence with the Commerce Member was entered into in order to secure a revision of the Agreement.³⁴ Unfortunately, official sources felt that the revision of the Tripartite Agreement was 'not an urgent matter' given the existing circumstances of international hostilities.³⁵ In 1938, the Viceroy had stated that it was difficult to accede to their request.³⁶

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32. WH to Linlithgow, 11 June 1938 and M. Slade (ICS) to J.G. Laithwaite, 16 June 1938, Comm. Dept., GOI, fl.20 MI(7)/38 pt-B, NAI; Bombay Chronicle, 30 July 1939 and M.A. Master to WH, 9 Feb.1939, WH Papers, fl.602, pt.1, NMML.
 33. WH to Linlithgow, 11 June 1938, Comm.Dept., GOI, fl.20 MI (7)/38, pt.B, NAI.
 34. M.A. Master to N.R. Pillai, 30 Mar. 1940, WH Papers, fl.608, pt.I, NMML.
 35. Linlithgow to WH, 23 June 1938, Comm. Dept., GOI, fl.20.MI (7)/38, pt.B, NAI and Telegram from Commerce Dept. to WH, 26 Mar. 1940, WH Papers, fl. 602, pt.II, NMML.
 36. Linlithgow to WH, 23 June 1938, Comm. Dept.,GOI, fl.20 MI(7)/38, pt.B, NAI.

In sum, this was another obstacle to the development of Indian Shipping. What the Scindia's wanted was that they should have 50% of the entire coastal trade of India, Burma and Ceylon, both in passengers, mail and cargo (including salt and coal), that the restrictions on entering the overseas trade should be removed and the Scindia's allotted a share of 50% both in passenger and cargo traffic in the adjacent trades between India and the Persian Gulf, Africa, the Straits, as well as, the Haj traffic, plus reasonable quotas in the passenger and cargo traffic in the India-Japan and India-U.K. Continent trade.³⁷ They wanted a five year agreement upto 31 December 1944, terminable by a previous notice of six months.³⁸

The B.I. Co. was not prepared to accept the terms put up by the Scindia's. They came up with terms of their own. These were quite unreasonable. First and foremost, they stipulated that the period of the agreement should extend upto twenty years.³⁹ The coastal trade quotas were to be

37. 'Scindia Company's Proposals for a renewal of the Tripartite Agreement, Statement A', no date, L/E/9/912, India Office Library and Records; Minutes of interview between M.A. Master and A.R. Mudaliar, 19 May 1941, WH Papers, fl.608, pt.I, NMML and Interview between WH and Lord Wavell, 7 July 1944, WH Papers, fl.618, pt.I, NMML.

38. Ibid.

39. Terms authorised by the Boards of the B.I. Co. and of the Asiatic Co., Statement B, 6 July 1939, L/E/9/912, India Office Library and Records.

45% only and only cargo traffic was to be allowed in the Indo-Japanese trade.⁴⁰ In addition, participation by another Indian Company in the trades covered by the Tripartite Agreement was to be provided out of the Scindia Company's quotas.⁴¹ A qualifying feature was that it was necessary for a settlement of the Bombay Steam Navigation Company's dispute (regarding rate war on the Konkan coast) before the terms of the Agreement came into operation.⁴² Not surprisingly, the negotiations failed. Towards the end of 1940, the Government, in a letter to Walchand regarding revision of the Tripartite Agreement, pointed out that it was "very difficult to expect British Shipping companies at that time to come to an agreement as to what should be the position at the end of the war.....In spite of this factor, the Commerce Member, is in communication with the principals of the British Shipping Companies in England and.... await their reply....."⁴³ The Scindia's had thus to dig in their heels and wait for a reply, which did not come till the middle of 1944. The Government kept on dithering, using the

40. Ibid.

41. Ibid.

42. Ibid. and Bombay Chronicle, 11 Aug. 1939. The Bombay Steam had an European Managing Agency: Messrs. Killick Nixon and Co.

43. Interview between WH and Lord Wavell, Viceroy of India, 7 July 1944, WH Papers, fl. 618, pt.I, NMML.

excuse of the exigencies of the 'international situation', especially in view of indications from the B.I. Co. that they were not prepared to accept the Scindia proposals.⁴⁴ Negotiations with the B.I. Co. having broken down and having hoped that the Government would help them, this was, instead, the answer they received.

Walchand agreed to allow the Tripartite Agreement to come into force after the war was over, although he wanted to arrive at an agreement earlier in order to know 'where the Scindia's stood'.⁴⁵ Throughout this period, the Company suffered in many ways. In 1942, the Company lost its entire Burma trade (a trade which had been the basis of the Tripartite Agreement) and the B.I. Co. Co. was not prepared to allow them to berth their steamers on these (i.e., the Burma trade) routes but to hand over their steamers as charters⁴⁶ - an insulting proposition after being driven out of the trade! While British Shipping continued to dominate this coastal trade and make as much money as it could, the Scindia Company's overseas participation was virtually nil

44. Interview between M.A. Master and R. Mudaliar, 19 May 1941, WH. Paper, fl.608, pt.I, NMML.

45. Ibid.

46. M.A. Master to R. Mudaliar, 13 Mar. 1942, WH Papers, fl. 613, pt.I, NMML.

and even the negligible extent to which it was engaged was always in danger, especially when the Mogul Line dumped its tonnage in order to prevent a single berthing of the Scindia Company for the Red Sea Ports and therefore the latter could not obtain fresh cargo. ⁴⁷

The Scindia Co. was forced in 1942 to agree to a rate of Rs.22/- net on rice from Karachi to Ceylon - a rate which the B.I. Co. and the Asiatic Companies had laid down as suitable for them.⁴⁸ The carriage of rice to Colombo from Karachi had been virtually promised to the Scindia Company by the Commerce Member, yet the British Ministry of War Transport inquired of different Lines carrying Cargo on this route and allowed certain 'syndicates' to make shipments from Karachi to Colombo.⁴⁹ The Scindia's, in 1942, fell behind in the carriage of their allotted quota of the coastal trade according to the terms of the existing Tripartite Agreement, while the Asiatic Steam Navigation Co. and the B.I.S.N. Co. carried tonnage in excess of their respective shares of quota carryings. This was due to the

47. Interview of G.L. Mehta with R. Mudaliar, 25 April 1942, WH Papers, fl.613, pt.I, NMML.

48. M.A. Master to N.R. Pillai. Additional Secretary to the GOI, Dept. of Commerce, 29 Apr. 1942, WH Papers, fl. 613, pt.I, NMML.

49. Ibid.

fact that the two British companies were allocated steamers by the Ministry of War Transport and the Scindia Company, instead of being aided in any such manner, suffered from the requisition of a large number of vessels by the Government for War purposes.⁵⁰ The Government, in addition, had the gall to claim that they were looking after the "rights of the Company quite well".⁵¹

Seeing that they were, literally, between the devil and the deep sea, the Scindia's had decided to modify their original proposals by not being rigid regarding shares. They agreed to, in the case of coastal trade, consider adjustment on certain Lines, not strictly on a fifty-fifty basis, against compensation elsewhere on the coast. They were prepared to drop demands of share on the Karachi/Persian Gulf, Rangoon/Singapore and Madras/Singapore routes. With regard to distant trades, their original proposal was modified to refer to passenger and cargo traffic between Bombay and four or five French and Italian ports and they agreed to restrict themselves to cargo traffic in the Indo-Japanese Trade. All these conditions were to be laid down in an agreement lasting for ten

50. Answer to a query by K.C. Neogy in LAD., 12 Aug. 1943, Vol III, p. 644.

51. Ibid., p. 645.

years.⁵² Moreover, they declared that they had asked for a 50% quota as, in the event of any other Indian Company participating in the trades covered by the Tripartite Agreement, their share was to be allotted out of the Scindia share.⁵³ To all events and purposes the Scindia proposals were quite modest. But the B.I.S. N.Co., with their great financial clout, offered crumbs which would increase Indian share in the coastal trade by less than 2%, that is, from 23 % to about 25%.⁵⁴ Furthermore, they declined to give the Scindia's any increased share of passenger and mail services on the coast and also went on to state that they would not place any hindrance on the Scindia Company's entry into the Indo-Continental passenger and Indo-Japanese passenger trade, but that would be subject to the agreement of Italian, German and other British and non-British Lines.⁵⁵

The spectre of rate-wars, therefore, loomed large in

52. 'Modifications in the original proposals by the Scindia's, Statement C.', no date, L/E/9/912 India Office Library and Records and WH to R. Haddow (BISN Co.) 3 Aug 1944, MAM Papers, fl.137, NMML.
53. Bombay Chronicle, 30 July 1939.
54. Bombay Chronicle, 2 Aug. 1939.
55. R. Haddow to WH, 24 Aug. 1944, MAM Papers, fl. 137, NMML; Bombay Chronicle, 2 Aug 1939 and The final proposals of the BISN to WH, no date, L/E/9/912, India Office Library and Records.

the event of such an agreement. Moreover, the clauses, pertaining to the share of Indian Companies desiring to participate in the trade covered by the Agreement to be adjusted with the Scindia quotas, the satisfactory solution of the Bombay Steam dispute (for it was a Company with European influence as its managing Agents were Messrs. Killick Nixon and Co.) and a stipulated period of 20 years for the operation of Agreement, were unchanged.⁵⁶ On no account were the Scindia's willing to accept such arbitrary conditions. Therefore, there was no revised Agreement⁵⁷ due to the implacable attitude of the Government of India and the British shipping interests.

This, paradoxically, seemed to be the exact antithesis of what the Imperial Shipping Committee had published in its Report on Empire Shipping in 1939. The Committee recognised the justice of the claim for expansion put forward by the Indian shipping industry and admitted that India should have a larger share in the coastal trade at that time. The Committee also had high praise for the vigorous management and efficient organisation of the Scindia Company and its

56. Ibid.

57. The Eastern Economist, 12 May 1950, p. 711 and The Scindia Co. in Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl.75(a), NMML.

ability to leave the responsibility of a larger share in the trade.⁵⁸ But this did not carry weight with the Government, despite the spectacle of powerful countries, like Japan, the U.S. and Britain themselves, displaying large mercantile fleets. India was to be denied this even after Zafrullah Khan had admitted in 1939 that the share of the Indians in overseas trade was very small.⁵⁹

Around the closing years of the thirties, a severe rate war was seen on the Konkan coast between the Bombay Steam Navigation Company with its European agents, on the one hand and the Indian Cooperative Steam Navigation Company (established around 1910) and the Ratnagar Steam Navigation Company (established 1936); both subsidiaries of the Scindia Co., on the other. Each side accused the other of having started the rate war. In a pro-Bombay S.N.Co. article in The Times of India, dated 24 June 1939, it was sought to demonstrate that the Bombay Steam Navigation Company had been a pioneer concern, engaged in the shipping trade on the Western coast for the past seventy years, and instead it were the late entrants like the Indian Cooperative and the

58. Bombay Chronicle, 11 Aug. 1939; LAD, 3 April 1939, Vol.IV, p. 3200 and K.V. Hariharan (ed.), So I ... Writings of M.A. Master, Vol.I, p. 291.

59. Zafrullah Khan in LAD, 6 April 1939, Vol.1, pp.3427-28.

Ratnagar companies which had sought to dislodge leaders the Bombay Steam Navigation Company.⁶⁰ But the Scindia Company pointed out the errors in such an allegation by stating that the Bombay Steam had indulged in a severe rate war in the year 1922 and 1923 against the Indian Cooperative.⁶¹ Moreover, the two Indian Companies had already conceded that they would not ply their ships beyond Panjim, thus leaving the field free for Bombay Steam in all its other trades.⁶² Yet, the Bombay Steam would not tolerate anything less than a monopoly for itself.⁶³ Hence, the rate wars continued. The Federation of Indian Chambers of Commerce and Industry was among many concerned parties, exhorting the Government to take effective steps in order to stop the rate wars on the Konkan coast traffic.⁶⁴ The Government, perforce, enquired of both the sides as to whether they were willing to arbitrate.⁶⁵

60. The Times of India, 24 June 1939.

61. The Times of India, 27 June 1939.

62. Ibid.

63. Statement of Jamshed N.R. Mehta, Pres. of FICCI at the Twelfth Annual General Meeting of the Federation. 8 April 1939, WH Papers, fl. 590, NMML.

64. Statement and Pronouncements by the Scindia Co., 1939, WH Papers, fl. 590, NMML; The Times of India, 27 June 1939; Zafrullah in a reply in LAD, 3 Apr. 1939, Vol. IV, p. 3209 and Bombay Chronicle, 27 Apr. 1938.

65. The Times of India, 24 June 1939.

The problem assumed a piquant note, as the Bombay Steam Navigation Company had 85% of its capital held by Indians, with five Indian directors out of a Board of seven.⁶⁶ On this note, the criticism levelled against the Scindia's was that they were playing upon 'patriotic' motives to get control of another Indian firm.⁶⁷ The Scindia's, on their part, maintained that their concept of a Swadeshi Company was one in which, as defined by Gandhiji, the ownership, control and management was 100% Indian.⁶⁸ The Indian Cooperative and Ratnagar Steam Navigation Companies suggested to the Government the name of Sardar Vallabhbhai Patel as an arbitrator acceptable to them.⁶⁹ The Bombay Steam for a long time did not deign to make a reply as to whether they had any objection to the choice of the other two companies regarding an arbitrator⁷⁰ and continued with their rate wars.⁷¹

66. Ibid.

67. The Times of India, 27 June 1939 and WH to the Scindia Co., 24 Mar. 1938, WH Papers, fl. 602, pt.I, NMML.

68. The Times of India, 27 June 1939.

69. Ibid.

70. The Times of India, 27 June 1939.

71. Ibid.

Meanwhile, the shareholders in the Bombay Steam Navigation Co., who were predominantly Indian, were getting restless, due to fluctuating incomes as a result of the rate wars and asked their Indian Directors "whether the present attitude adopted by the Bombay Steam was in the interest of national shipping or was for preserving the prestige of an English firm managing that concern.⁷² The Scindia's were also worried that this problem would interfere with the revision of the Tripartite Agreement.⁷³ This was proved to be true, as the B.I. S.N.Co. announced that the settlement of this issue was a pre condition to the signing of a fresh agreement.⁷⁴ Finally the Indian majority in the Bombay Steam Navigation Co. felt that it was better to come to terms with Walchand and at the Annual General Meeting of the Company on December 20 1939, it was resolved to give the Company's Managing Agency to the Scindia Co.⁷⁵ The rate wars, thus, came to an end. It can be said of the Scindia Co., that, in this matter, they were, from the very

72. WH to G.D. Birla, 15 Oct. 1938 and 4 Nov. 1938, WH Papers, fl.590, NMML.

73. WH to G.D.Birla, 25 Nov. 1938, WH Papers,, fl. 590, NMML.

74. Terms authorised by the Boards of the B.I. Co., and of the Asiatic Co., Statement B, L/E/9/912, India Office Library and Records and Bombay Chronicle, 11 Aug. 1939.

75. G.D. Khanolkar, op.cit., pp.298-99.

beginning, hell bent on taking over the Bombay Steam which, to certain extent, was an Indian Company.

Faced with the constant hostility of one of the world's most powerful shipping combines (i.e. the British Shipping interests), the Scindia's could not afford competition at its own backdoor through smaller companies, as well. For their very survival, the Scindia's needed a firm control, if not near monopoly, over Indian shipping interests in order to be able to provide effective resistance to the British interests.

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Reverting back to the scenario in connection with coastal reservation, a Bill for the Control of Traffic was introduced for the fourth time in the Assembly on 18 February 1939. This time the Bill was introduced by Sami Venkatachelum Shetty.⁷⁶ This Bill did not make any progress and, thereafter, died a natural death. Indian commercial associations, as well as individuals constantly rued the fact that the Indian Mercantile Marine continued to be undeveloped⁷⁷ and pulled up the Government for not securing

76. LAD, 18 Feb. 1939, Vol.II, p.1119.

77. Indian Chamber of Commerce, Calcutta to The Secretary National Planning Commission, 3 June 1939, WH Papers, fl.41, pt.II, NMML; K.V.Hariharan (ed.), So I....writings of MA Master, Vol.II, p.502; FICCI Resolution, 30 Mar. 1940, WH Papers, fl.611, pt.II, NMML and Bombay Chronicle 7 Apr. 1941.



for national shipping a substantial participation in India's coastal and overseas trades.⁷⁸ The Government was castigated for its attitude on progressive Bills, like Haji's Bill and Ghaznavi's Bill, in connection with the coastal trade.⁷⁹

That Indian shipping was under developed is evident from the fact that, in 1944, the country's share in the coastal trade (which after the separation of Burma had a total value of Rs.87 crores) did not exceed 25% of the total, while the share in the oceanic trade stood at the ridiculously insignificant feature of 3%.⁸⁰ The corresponding figures for Britain were 79% in the former and 66% in the latter.⁸¹ India's total gross tonnage in 1940 was 1,31,748 only while that of England exceeded 17,891,000 gross tons.⁸² The picture was deplorable. Even the Imperial Shipping Committee's Report on British Shipping in the Orient (1932), which recognised Indian aspirations to a

78. FICCI Resolution, 30 Mar. 1940, WH Papers, fl. 611 pt.II, NMML Bombay Chronicle, 7 Apr. 1941.

79. Ananda Bazar Patrika, (a translation), 21 June 1941, WH Papers, fl. 610 pt.I, NMML.

80. Indian Chamber of Commerce, Calcutta to the Secretary, National Planning Commission, 3 June 1939, WH Papers, fl.41, pt.II, NMML and The Eastern Economist, 1 Sept. 1944, p. 250.

81. Ibid.

82. Ibid.

greater share in shipping operations, elicited no response from the Government.⁸³ Other countries in the world like Italy, with a fraction of India's trade, had a Mercantile Marine thirteen times as much. As far as tonnage owned by the U.S. was concerned, the figure for 1944 was 30,000,000 gross tons. For the U.S., it was an increase of about three times over their pre-War tonnage.⁸⁴ Simultaneously, gross Indian tonnage (1,32,000 gross tons) comprised only 0.24% of the world total. Yet, the Government did nothing to develop the indigenous shipping industry for their mother country was beset with problems^{and} their tonnage falling drastically (in proportion to world figures) during the Wars. In 1914, U.K. owned nearly 42% of world Shipping and in 1918, only 34%. This plummeted to 26% in the inter-War period reaching a low of 18% (out of 77 million tons of world tonnage in 1945). Therefore, they disliked giving any concessions to the Indians.⁸⁶ In fact, they admitted that they had made no

83. Zafrullah Khan in a reply in LAD, 3 Apr. 1939, Vol.IV, p.3200; Bombay Chronicle, 11 Aug. 1939 and K.V. Hariharan (ed.), So I rest..... of M.A. Master, Vol.I, p.291.

84. Journal of Commerce, 27 July 1944, MAM Papers, fl.156, NMML.

85. Scindia Co. Note, 3 June 1944, WH Papers, fl. 617, NMML and Lloyds List and Shipping Gazette, 9 Dec. 1944, WH Papers, fl. 618 pt.II, NMML.

86. The Eastern Economist, 28 June 1946, p. 1905.

representation to the British Government for furthering the cause of Indian shipping as part of the Indo-British Trade Agreement.⁸⁷ Whenever the Government took any steps to solve shipping problems, the result was always a foregone conclusion -the problems continued to remain. In July 1939, the Government convened a conference at Shimla in order to solve the problems plaguing shipping.⁸⁸ They had ignored the Scindia Company's request for calling it earlier, as their Chairman was to leave for England in June. The conference was called after Mr. Walchand Hirachand departed on 10 June, with invitations being issued on 11 June.⁸⁹ Not only was the Scindia Co. unrepresented, but purely Indian companies, like the Bengal Burma Co. and others were not invited.⁹⁰ The Conference, therefore, ended in a fiasco. The Government, which was so concerned about national shipping and recognised the fact that Indians had not been allowed to handle more than one and one-fifth of the entire coastal trade of India, Burma and Ceylon, "accepted" their responsibility to 'help' shipping in

87. See LAD, 24 Mar. 1939, Vol. III, p.2686.

88. Bombay Chronicle, 31 July 1939, and Amrita Bazar Patrika, 28 July 1939.

89. Ibid. and Cable from WH to M.A. Master, 2 Aug. 1939, MAM Papers, fl. 137, NMML.

90. Ibid.

making substantial progress. This statement was made by the Indian Commerce Member, R.Mudaliar in 1940.⁹¹ It is quite possible that his sympathy lay with the Indians but, being just a part of the colonial structure, he could not be expected to wrought miracles by contravening the dictates of colonial policy.

In 1940, a Notification was issued by the Government, which restricted ships on the Indian Register from moving out of the Coastal limits of India, Burma and Ceylon until, and unless, they obtained a licence from the Government⁹². This was protested against, as it was downright discrimination against Indian shipping; for British ships were free in this respect to ply wherever they wished, although the Government insisted that ships on the British Register were under the complete control of the Government of U.K.⁹³ It is easy to conclude, that they would not have been restricted by a Government which helped them even in securing tonnage during the War.

91. Statement of R. Mudaliar, 30 Mar. 1940, WH Papers, fl.611, pt.II, NMML.

92. A.R. Mudaliar in LAD, 20 Feb. 1941, Vol.II, p.690 and Interview between G.L.Mehta and A.R. Mudaliar, 25 May 1942 and Indian Chamber of Commerce, Calcutta - A Note; 9 June 1942, WH Papers, fl.613, pt.I, NMML.

93. Ibid. and Free Press Journal, 17 Sept. 1943, WH Papers, fl.616, NMML. Indian Shipping Companies like The Scindia Co., The Merchant S.N. Co., The Malabar Steamship Co. and others protested against this to the Commerce Member.

In 1940, the Scindia's were pulled up by the Conference for asking for a rate increase on the Burma-India trade.⁹⁴ Although the Government and the representatives of the British Ministry of Shipping in India were quite aware of the fact that British ships were already charging high rates to places like Colombo, they (the Conference) were adamant about not accepting the Scindia proposal of an increase of Rs. 5/- net in the basic rate.⁹⁵ The Scindia's were, thus, thwarted in their efforts towards development.

In 1944, the Scindia's sounded out the Commerce Member, R. Mudaliar, regarding financial help for shipping.⁹⁶ The latter being quite aware, that Governmental policy would not permit it, evaded giving an answer.⁹⁷ Upto 1940, the figures relating to shipping and aid to it were as follows:

94. Note of meeting between Pandya and Messrs. Brown, Haddow and Hogg, 8 Apr. 1940, WH Papers, fl. 609, NMML.

95. Ibid.

96. M.A. Master to WH, 9 March 1944, WH Papers, fl.617, NMML.

97. Ibid.

CARRIAGE OF TRADE BY NATIONAL SHIPS

UK. (%)		INDIA %
92.8	INTER EMPIRE TRADE	NIL
47.5	FOREIGN TRADE OF THE EMPIRE	NIL
12.0	TRADE BETWEEN FOREIGN COUNTRIES	NIL
93.1	COASTAL TRADE	25.6

II NATIONAL AID TO SHIPPING

U.K. (\$)		INDIA
(a) SUBSIDY GRANTED		
333,698	LINER SHIPPING (1924-1928)	NIL
4002,183	TRAMP SHIPPING (1935/36)	NIL
(b) PROPOSED SUBSIDY		
10,000,000	LINER SHIPPING	NIL
13,750,000	TRAMP SHIPPING	NIL
5,113,150	(c) INSURANCE RISK COVERED (1938-40)	NIL
2,000,000	(d) MERCHANT SHIPPING RESERVE	NIL

Source: SPEECH DELIVERED BY SIR BADRIDAS GOENKA, PRESIDENT OF THE INDIAN CHAMBER OF COMMERCE, CALCUTTA, 23 MAY 1941, WH PAPERS, f1.6W, PT.II, NMML AND MAM PAPERS, f1.26, NMML.

In 1946, when independence did not seem to be such a distant goal, the Scindia's took heart and made a representation to the Minister of Commerce, C. H. Bhabha, that Indian shipping was the only industry which had not received any help from the Government.⁹⁸ At long last the Government woke up to the possibility of allowing national shipping to enter into the overseas trade and in this connection entered into consultations with the Government of Britain.⁹⁹ The Scindia's were happy that the wheels of bureaucracy were actually moving at long last. Such a move by the Government was possibly a recognition of the fact that the time had come when dilatory tactics would not work.

The discrimination against Dufferin cadets in the matter of employment continued in this period also. On the one hand, the Scindia's had absorbed 54% of the trained ex-cadets of the Dufferin into their Company¹⁰⁰ while, on the

98. M.A. Master to C.H. Bhabha, 29 June 1946, WH Papers, fl. 620, NMML.

99. Speech by WH at the Extraordinary General Meeting of the shareholders of the Company, 5 Mar. 1946, WH Papers, fl. 620, NMML.

100. 'The Scindia Co.' in Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl. 75(a), NMML; G.D. Birla on the occasion of the Annual Prize Day Function of Dufferin, Dec. 1940, WH Papers, fl. 89, pt. 1, NMML and K.R.S. Captain, President, Dufferin Old Cadets Association to G.L. Mehta, 26 June 1946, WH Papers, fl. 46, NMML.

other, European companies showed the same lackadaisical attitude in employing them as they had earlier and were criticised for it, to no avail.¹⁰¹ Moreover, even in the matter of recruitment to the Royal Indian Navy, the President of the Dufferin Old Cadet's Association alleged that they faced racial discrimination and colour prejudice with the Navy recruiting European Merchant Navy officers out of the Royal Indian Navy Reserve (consisting mainly of Indian officers) only two were admitted out of forty nine vacancies in two years.¹⁰² He was grateful to the Scindia Company's efforts in absorbing Dufferin cadets.¹⁰³ Thus, the Scindia's did a lot for fostering Indian enterprise and in the employment of Indians into their Company, when the Government was doing nothing in this direction.

The Government raised a storm of protest in the country by appointing Europeans in key positions, in connection with shipping in India. The appointment of Sir George Campbell as the Shipping Controller for India, in

101. Messrs. Turner, Morrison and Co. Ltd to the Governing Body, IMMTS Dufferin, 19 Feb. 1940, WH Papers, fl.46, NMML and Sir Purushottam Das Thakurdas on the occasion of the Annual Prize Day Function of Dufferin, December 1939, WH Papers, fl.89 pt.I, NMML.

102. K.R.S. Captain to G.L. Mehta, 25 June 1946, WH Papers, fl.46, NMML.

103. Ibid.

1939, evoked intense opposition, as he was known to have previous connections with leading British interests. An appointee of this nature could not, but, fail to harm national interests.¹⁰⁴ The appointment of another European as the Indian Shipping Advisor in 1942 was, literally a slap in the face of Indian aspirants. This position to which Capt. H.L. Davies was appointed was very important as he had to coordinate the use of ships based in India, so as to ensure, as far as possible, that the duty of meeting defence requirements was shared impartially among the companies concerned, that each Company was able to carry its allotted quota of its coastal trade requirements and that this was utilised most effectively for dealing with India's exports.¹⁰⁵ Yet, the Scindia's were short by 56,308 tons in the rice carrying trade of Burma.¹⁰⁶ The Indian Shipping Advisor was, moreover, subordinate to the Government of India in respect to ships on the Indian Register and to the Shipping controller in connection with ships on the British

104. Bombay Chronicle, 14 Sept. 1943; Master to Pillai, 16 Sept. 1943, WH Papers, fl.616, NMML; Scindia Co. to The Additional Secretary, to the Government of India, Dept. of Commerce, 29 Aug. 1940, WH Papers, fl.61, pt.I, NMML; The Indian Merchants Chamber to the Secretary, FICCI, 19 March 1941, WH Papers, fl.61, pt.I, NMML and The Hindu, 25 Nov. 1938, WH Papers, fl.45, NMML.

105. Government of India, Department of Commerce to Scindia Co., 20 Aug. 1940, WH Papers, fl.61, pt.I, NMML.

106. The Scindia Co., 21 July 1943, WH Papers, fl.614, pt.II, NMML.

Register.¹⁰⁷ In this coterie of Europeans, national shipping could not hope to survive. Indian commercial bodies strongly protested against the nomination of European as Shipping Advisors and on Shipping Advisory Committees;¹⁰⁸ with R. Collinson having been appointed as Assistant Indian Shipping Advisor.¹⁰⁹ Ultimately, the constant pressure paid off with the appointment of Mr. J.P Mehta of the Scindia Co. as the Joint Controller of Shipping in 1943.¹¹⁰ The post of Indian Shipping Advisor was abolished with Captain Davies becoming the Controller. Both were to direct the, newly established, Department of Control of Shipping and were responsible to the Commerce Department of the Government of India.¹¹¹

Indian shipping was, thus, able to get this concession

107. Council of State Debates, 29 Nov. 1940, WH Papers, fl. 610, pt.I, NMML and GOI, Department of Commerce to Scindia Co., 20 Aug. 1940, WH Papers, fl.61, pt.I, NMML.
108. Bombay Chronicle, 14 Aug. 1943 and The Indian Merchant's Chamber to The Secretary, FICCI, 19 Mar. 1941, WH Papers, fl.61, pt.I, NMML.
109. M.A. Master to The Secretary, The Indian Merchants Chamber, 5 Oct. 1942, WH Papers, fl. 614, pt.I, NMML.
110. Free Press Journal, 23 Aug. 1943, WH Papers, fl.614, pt.II, NMML, and M.A. Master to N.R. Pillai, 16 Sept. 1943, WH Papers, fl.616, NMML.
111. Free Press Journal, 23 Aug. 1943, WH Papers, fl.614, pt.II, NMML.

after constant struggles with the Government of India. This industry grew despite the obstacles strewn across its path.

Referring to other problems faced by Indian Shipping interests, one of the most controversial policies of the Government was that of the requisition of ships belonging to shipping companies, for meeting defence requirements, as a result of the War. The first point of dissatisfaction came due to the feeling that Indian shipping was not given any help when it was in dire straits and, yet, when the Government required its ships, it would have to offer whatever it had on a platter.¹¹² Moreover, it was stated by the Indians in the Shipping Conference convened by the Government in Shimla, in 1940,¹¹³ that the proposed requisition would seriously affect the position of Indian shipping in the future.¹¹⁴ It was still in an infant stage of development with only about 1 lakh tons of shipping as compared to nearly 20 million tons of British Shipping.¹¹⁵

112. The Scindia Co., in Walchand Diamond Jubilee Commemoration Vol., 1942, WH Papers, fl.75(a), NMML and M.A. Master to S.J. Pandya, 7 Feb. 1941, WH Papers, fl.611, pt.I, NMML.

113. A.R. Mudaliar to WH, 31 May 1940, WH Papers, fl. 608, pt.I, NMML.

114. The Scindia Co., a Note, 21 July 1943, WH Papers, fl. 618, pt.I, NMML.

115. The Scindia Co., in Walchand Diamond ... Volume, 1942, WH Papers, fl.75(a), NMML and M.A. Master to S.J. Pandya, 7 Feb.1941, WH Papers, fl.611, pt.1, NMML.

The adhoc policy of the Government in requisitioning Indian ships created major problems.¹¹⁶ Almost all the small ships and a substantial portion of the large Indian ships owned by Indian nationals were taken by the Government, leaving a number of British ships on the British Register to carry on in the coastal trade. This differential treatment was meted out especially after an order, ostensibly on the ground of ensuring the best possible utilisation of Indian shipping, was promulgated, in 1943, taking full control over Indian shipping.¹¹⁷ Indian shipping companies protested against this discrimination and could not see why ships on the British Register plying the Indian coastal trade were exempted from the order.¹¹⁸ Moreover, there was no evidence to show that Indian ships were not

116. The Indian Merchants Chamber to The Secretary, The FICCI, 19 Mar. 1941, WH Papers, fl.61, pt.I, NMML and Secretary, Indian Chamber of Commerce to The Secretary to The Dept. of Commerce, WH Papers, fl.70, NMML.

117. Presidential address of M.L. Shah at the Second Quarterly General Meeting The Indian Chamber of Commerce, Sept. 1943, WH Papers, fl. 70, NMML and the Secretary of The Indian Chamber Commerce to the Secretary to the GOI, Dept. of Commerce, 25 Sept. 1943, WH Papers, fl.70, NMML and A.R. Mudaliar in an answer to a query by A.C. Dutta in LAD, 3 Mar. 1941, Vol. II, p.911.

118. Presidential address of M.L. Shah at the Second Quarterly General Meeting of the Indian Chamber of Commerce, 18 Sept. 1943, WH Papers, fl. 70, NMML.

being employed to their maximum capacity.¹¹⁹ The Government remained unmoved.

Indian shipping services were completely thrown out of gear due to the policy of requisition. What made the policy extremely unfair to Indian shipping interests was the fact that nearly 75% of the Indian tonnage was requisitioned for the carriage of men, materials and munitions within two years of the war¹²⁰ and, simultaneously, allowed British shipping to carry on commercial services along the coast.¹²¹ The Indians found it difficult to stomach the complete disorganisation and disruption of the Indo-Burma trade, perforce, preventing the carriage of rice and food stuffs from Burma¹²² into this country, where the crops in

119. The Secretary of The Indian Chamber of Commerce to The Secretary of the GOI, Dept. of Commerce, 25 Sept. 1943, WH Papers, fl. 70, NMML and The Scindia Co. Note, 21 July 1943, WH Papers, fl.618, pt.I, NMML.

120. Master to Kunzru, 22 Mar. 1941, WH Papers,, fl. 610. pt.II, NMML; Scindia Co., Note, no date, WH Papers, fl. 611, pt.I, NMML and question by K.C. Neogy in LAD, Mar. 1944, Vol.II, p.724.

121. M.A. Master to G.L. Mehta, 22 May 1942, WH Papers, fl.613, pt.I, NMML and Conversation between Master and N.R. Pillai, 27 Aug. 1942, WH Papers, fl. 613, pt.I NMML.

122. Master to Kunzru, 22 Mar. 1941, WH Papers,, fl.610, pt.II, NMML, Scindia Co., WH Papers, fl.611 pt.I, NMML and Speech delivered by Sir Badridas Goenka, President at the First General Meeting of The Indian Chambers of Commerce, 23 Mar. 1941, WH Papers, fl. 611, pt.I, NMML

Bengal had already failed.¹²³ Elsewhere in the world, import of foodstuffs was considered to be a war measure but the Government of India did not consider it necessary to release ships for this purpose.¹²⁴

While the Scindia's kept on asking for the release of their ships, the Government, instead, continued to requisition additional ships. By 1943, only four to five ships on the Indian Register were left on the free list.¹²⁵ When the Government allowed the release of one ship of the Scindia Co. (the El Hind), in 1942, for carrying, in two trips along with another ship of the 'Mogul Line', 5000 pilgrims for the performance of the Haj, it was still an unfair measure as the Scindia ships, so released, had a far smaller carrying capacity (only 900 pilgrims) than that of

123. Master to Kunzru, 22 Mar. 1941, WH Papers, fl. 610. pt.II, NMML and Scindia Co. Note, no date, WH Papers, fl. 611, pt.I, NMML.

124. Ibid. and Interview between Master and A.R. Mudaliar, 21 Jan. 1941, WH Papers, fl. 611, pt.I, NMML.

125. Free Press Journal, 14 Sept. 1943, WH Papers, fl.616, NMML. Also Telegram from the Principal Officer, Mercantile Marine Department, Bombay District, 11 Feb. 1941, Master to A.H. Ghuznavi, 12 Feb. 1941, Master to A.R. Mudaliar, 11 and 13 Feb. 1941 and Extract from the Memo. On War Time Financial Arrangement between His Majesty's Government and the British shipowners presented to Parliament, Aug 1940, WH Papers, fl.611, pt.I, NMML.

the ship belonging to the Mogul Line.¹²⁶ The Mogul Line was at this time plying Six out of their Seven ships for commercial purposes.¹²⁷ Thus, British ships prospered carrying military stores along the coast as commercial cargo¹²⁸ while Indian companies sank deeper into a morass created by the Government. As far as the Mogul Line Steamers were concerned, the explanation offered by the Commerce Member for not requisitioning any, or at any rate not requisitioning all of them at the same time, was that several of the Mogul Line Steamers were "not as suitable as those of the Scindia Co. and that they had been released in order to carry Haj traffic - they were also being requisitioned and released from time to time as Government requirements made it necessary."¹²⁹ It is not difficult to understand, why the Scindia's were not obtaining the same

126. Interview between Master, N.R. Pillai and N.R. Sarkar, Commerce Member, GOI, 27 Aug. 1942 and Conversation between Master and N.R. Pillai, 27 Aug. 1942, WH Papers, fl.613, pt.I, NMML.

127. Conversation between Master and Pillai; 27 Aug. 1942. WH Papers, fl. 613 pt.I, NMML and Interview between G.L. Mehta and A.R. Mudaliar, 25 May 1942, WH Papers, fl. 613, pt.1, NMML.

128. Master to N.R. Pillai, 18 Dec. 1943, WH Papers, fl.616, NMML.

129. Interview between G.L. Mehta and A. R. Mudaliar, 25 May 1942, WH Papers, fl. 613, pt.1, NMML.

concessions where the carriage of Haj traffic was concerned when they were quite able to do so. The colonial structure did not tolerate any competition against its own vested interests, be it war or peace time!

Once the Lines had been requisitioned, Indian shipping suffered more heavily as far as the question of hire and compensation and loss of any vessels was concerned. In 1941, the position was such that, the British Government had settled similar questions within six months of their taking over British Steamers and in India, even after two years, the decision of the authorities was not known.¹³⁰ From 1941 onwards, the advance given to Indian companies fell far below the actual amounts payable under the Liner Requisition Scheme. In 1941, the shortage for the Scindia Co. was around Rs. 2,73,655 per month on Steamers or nearly 40% less than what was payable.¹³¹ In 1942, upto 30 June, the total amount due to the Scindia Company was around Rs 47,00,000.¹³² Such problems regarding rates for hire and

130. The Amrita Bazar Patrika, 24 Nov. 1941; Scindia Co. to The Assistant Secretary to The GOI, Dept. of Commerce, 27 Feb. 1941, WH Papers, fl. 611, pt. 1, NMML.

131. Master to WH, 27 Feb. 1941, WH Papers, fl. 611, pt. 1, NMML.

132. Master to A.R. Mudaliar, 9 July 1942, WH Papers, fl. 613, pt. I, NMML and Master to Sarkar, 4 Sept. 1942, WH Papers, fl. 614, pt. I, NMML.

compensation continued upto 1944,¹³³ thereby, severely stunting the growth of Indian shipping companies.

British shipping interests were provided with more than ample tonnage by the British Ministry of War Transport to enable them to fulfil their quota obligations and to maintain their position in the coastal and adjacent trades.¹³⁴ The BISN Co. was one of such Lines that benefitted from this in India¹³⁵ and, thus, succeeded in perpetuating its monopoly. Moreover, from 1942 a 'Replacement of Tonnage scheme' in U.K. (whereby companies, which lost ships through marine or war risks, were given an opportunity to purchase ships built or to be built during the War on Government account) greatly benefitted British Companies.¹³⁶ Indian shipowners could not benefit from any

133. Master to A.R. Mudaliar, 6 July 1942, WH Papers, fl.613, pt.I, NMML and M.A. Haque, Commerce Member, in a reply in LAD, 1 Mar. 1944, Vol.II, p.724.

134. The Secretary of The Indian Chamber of Commerce to The Secretary to The GOI, Dept. of Commerce, 25 Sept. 1943, WH Papers, fl. 70, NMML and Narottam Morarjee and Co. to Messrs. Mackinon, Mackenzie and Co., Managing Agents, The BISN. Co. Ltd, 27 Aug. 1943, WH Papers, fl.616, NMML.

135. Ibid.

136. Government Plan for Replacement of Lost Tonnage (London), May 1942, WH Papers, fl. 613, pt.I, NMML and The Secretary, The Indian Chamber of Commerce to The Secretary of the GOI, Dept. of Commerce, 25 Sept. 1943 WH Papers, fl. 70, NMML.

such scheme and had problems relating to recompensation for lost tonnage due to requisition.¹³⁷ In addition, British authorities increased the rate of depreciation granted to British ships (on the original cost), from 4% in 1928 followed by 10% in 1932 and a further 10% in 1938.¹³⁸ Even this was not satisfactory to British interests who wanted a depreciation allowance, not on the first cost but, on probable replacement cost.¹³⁹ And yet, Indian petitions for, at least, 10% as a rate of depreciation on requisitioned ships was not considered.¹⁴⁰ Therefore, the War years were not kind to Indian Shipping, for the Government gobbled up whatever little they had and did not spare a thought towards offering them suitable compensation and concessions as they did to British shipping.

The War years were, thus, very enlightening as far as Governmental attitude was concerned. Therefore, Walchand did

137. Minutes of Interview between M.A. Master and A.R. Mudaliar, 19 May 1941, WH Papers, fl. 608, pt.I, NMML.

138. Master to R. Mudaliar, 28 Feb. 1941, WH Papers, fl.611, pt.I, NMML.

139. Master to N.R. Sarkar, 9 Sept. 1942, WH Papers, fl.614, pt.I, NMML and Bombay Chronicle, 7 Apr. 1941.

140. Master to N.R. Sarkar, 9 Sept. 1942, WH Papers, fl. 614, pt.I 29, NMML; Circular of Scindia Co., July 1941, WH Papers, fl.612, pt.I, NMML. and Bombay Chronicle, 7 Apr. 1941.

not put much store in the much advertised Post-War Reconstruction Plan.¹⁴¹ No fleet expansion was possible for Indian shipping during the War and, in fact, due to losses, total Indian tonnage fell to less than 100,000 gross tons.¹⁴²

In mid-1941, the Government of India had appointed a Post-War Reconstruction Committee, to consider various vital matters concerning economic and industrial problems of the country that were seriously affected as a result of the repercussions of the Second World War.¹⁴³ But, in respect of shipping matters, no action was taken until about 1944. Indian commercial bodies castigated the Government for not formulating or communicating a specific policy in connection with the development of shipping in the post-War period.¹⁴⁴

But from 1944 onwards, with Independence virtually a

141. Translation from Jugantar, 19 Dec. 1944, WH Papers, fl.622, pt.II, NMML.

142. T.S. Sanjeeva Rao, A Short History of Modern Indian Shipping, p. 136.

143. Ibid., p.136 and A.H. Maru, Indian Shipping Since Independence, p.21.

144. Indian Chamber of Commerce Notes for discussions with A.R. Mudaliar, Supply Member on 24 Dec. 1943 and Muhammad Azizul Haque (Member of Commerce, Industries and Civil Supplies) on 25 Dec. 1943, WH Papers, fl.70, NMML and The Eastern Economist, 10 Dec. 1943, p.1061.

foregone conclusion, some progress could be made. The Scindia's drew the Government's attention to the fact that shipping and ship building did not find any place in Post-War Reconstruction Committees.¹⁴⁵ Only after this was a Reconstruction Policy Committee on Shipping reconstituted, with the Government, for the first time, publicly admitting, at the Committee's first meeting, that for a country of its size, the length of its coastLine and its strategic position and being a part of one of the world's main sea-routes, India possessed a distressingly small number of deep sea ships, and this had been brought home; especially during the stress of war time conditions, by her inability to transport the necessary food supplies required by her.¹⁴⁶ And, yet, who but the Government was to be blamed for the existing state of affairs.

In such an unsatisfying situation as far as Indian shipping was concerned, the first meeting of the Policy

145. M.A. Haque in reply in LAD,, 14 Feb. 1945, Vol. I, p. 324; Master to WH, 18 Jan. 1944, WH Papers, fl. 617, NMML and Interview of WH with Lord Wavell, The Viceroy of India, WH Papers, fl. 618, pt.I, and MAM Papers, fl.137, NMML.

146. The Amrita Bazar Patrika; 11 Dec.1944, The Star of India, 8 Dec. 1944 and The Joint-Stock Companies Journal, 30 Jan. 1945, WH Papers, fl.590, NMML; K.V. Hariharan (ed.), So I Rest ...Writings and Speeches of Master, Vol.I, p.292^{and} The Hindusthan Standard, 31 July 1945, WH Papers,, fl. 90, pt.II, NMML.

Committee on Shipping under the Chairmanship of the Commerce Member was held, late in 1944 in Bombay.¹⁴⁷ A memo circulated by the Government outlined the general considerations of the Government in tackling important questions relating to shipping. It was stated in the memo that, with the aim of securing an adequate share in the world's carrying trade, steps should be taken to secure for Indian shipping an increased share of the coastal trade, including trade with Ceylon and Burma; a substantial share in the Near trades, as for example, Persian Gulf, East Africa, Malaya and Dutch East Indies; a fair share in the Eastern trades, especially those trades of which Japanese shipping would have been dispossessed and a fair share, also, in the trade between India on the one hand and the U.K., the continent of Europe and North America on the other.¹⁴⁸ This memo came in for sharp criticism from Indian non-official members to the Conference as well as from Indian shipping interests. The meeting, itself, was criticised for the length of its duration, barely two hours, with no concrete proposals for discussion and with no prospect of

147. The Eastern Economist, 8 Dec. 1944, p.642 and The Amrita Bazar Patrika, 11 Dec.1944.

148. Ibid., and 'The Future of The Indian Merchant Marine Planned Expansion', L/E/9/912, India Office Library and Records, London.

early resumption of their work, because the Commerce Member vaguely expressed the hope that by the time the Committees met "the Government of India, in consultation with the British government, will be able to announce their policy as to the reservation of coastal navigation."¹⁴⁹ It was further averred by the non-officials that the memo, in defining the aim of the country's Post War Shipping Policy, merely repeated the relevant paragraph in the Second Report of the Reconstruction Committee of the Viceroy's Council which suggested that Indian shipping should have in the post- War era an increased share of the coastal trade, a substantial share in the Near trades and a fair share in the trade between India on the one hand and Europe and America on the other.¹⁵⁰ The Indian side, moreover, felt that the proposals of the Government exhibited supreme indifference to the problem of developing an Indian Mercantile Marine.¹⁵¹ Walchand Hirachand observed that the "whole of the Indian coastal trade, two thirds of her trade with adjacent countries, half of the Indian overseas trade and a third of

149. The Hindu, 9 Dec. 1944.

150. Ibid.

151. The Hindustan Times, 15 Dec. 1944 and Translation from Jugantar, 19 Dec. 1944, WH Papers, fl.622, pt.II, NMML.

the carriage of trade in the Orient" was a reasonable share for Indian Shipping.¹⁵²

At the Conference, the non-official spokesmen had made certain pertinent queries regarding Governmental attitude towards shipping and shipbuilding in India. They enquired as to whether the Government agreed with the universal opinion in the country with regard to the national character of the constitution of an Indian Merchant Navy; whether the Government would reserve the coastal trade to shipping, owned and controlled by Indians and what steps the Government would take for facilitating the building of ocean going ships in India and for securing them from abroad. They also asked whether they had made or were prepared to make representations, to His Majesty's Government, that the advance of national shipping in India's maritime trades meant that British shipping would have to withdraw to that extent. They queried about the steps the Government had in mind to ensure conditions of economic operation for Indian shipping and whether the Government was fully in touch with international arrangements and international agreements in regard to shipping and queried whether they were a party to

152. The Hindustan Times, 13 Dec. 1944 and The Eastern Economist, 15 Dec. 1944, p.658.

such agreements and arrangements and if so, whether they had taken effective steps for protecting the interests of national shipping and its legitimate advance and development in the post-War period for carrying India's maritime trades and also for the carriage of an adequate share of the world trade as mentioned in the memo.¹⁵³

However, no light was thrown on the vital issues by the Government at this Conference.¹⁵⁴ This procrastination was, as stated by it, due to the fact that no orders had been explicitly issued from London and that no clear policy could be initiated until the post-War needs of British shipping, which was facing the problem of ever increasing competition from American Shipping, were accurately known.¹⁵⁵ It was feared by Indian interests, that under such circumstances, the Government might be tempted to make British Vested

153. The Hindusthan Standard, 14 Dec. 1944 and The Free Press Journal, 13 Dec. 1944 in WH Papers, fl.590, NMML.

154. Ibid.

155. The Hindustan Times, 15 Dec. 1944; Journal of The Indian Society of Engineers, Jan. 1945, WH Papers, fl. 590, NMML and William Currie to N.R. Pillai, 22 Jan. 1945 and W.G. Weston, (Ministry of Transport), to H.A. Rumbold (India Office), 18 Apr. 1946 and a Minute by the Secretary of State, 12 Feb. 1945, L/E/9/912, India Office Library and Records, London.

It was stated by the Government that protectionism in the form of reservation of Coastal Shipping was not in Indian interests.

interests put on an Indian mask, have them registered as Indian companies with a rupee capital and even persuade them to have a dummy majority of Indian Directors.¹⁵⁶ Keeping in mind the dilapidated nature of Indian shipping, the Government was urged in view of the inadequate infrastructure not only for commercial reasons but also for reasons of naval defence, to act quickly in meeting Indian needs in the post-War period.¹⁵⁷

The Government, moreover, was faced with problems on both sides; those in dealing with Indian shipping problems, on one side, (as has been referred to earlier) and, on the other hand, some major differences with British shipping interests. The latter, recognising that they were in danger of losing their monopoly disagreed with the Government in the procedure to be maintained in the matter of transfer of traffic from the B.I. Co. and the Asiatic Co. to the Scindia Co. The British interests wanted the discussions to take place between the companies concerned, while the Government conceived the matter to be of such importance as to

156. The Hindustan Times, 13 Dec. 1944.

157. Times, 8 June 1945 and The Advance, 30 July 1945, WH Papers, fl. 90, pt.II, NMML and The Amrita Bazar Patrika, 30 July 1945.

necessitate it being discussed between Governments only.¹⁵⁸ The British shipping interests also demanded the payment of a very substantial lumpsum to them by the Indian interests, in return for which the latter would abandon a substantial part of their share of Indian coastal traffic.¹⁵⁹ It was not enough for them that they had squeezed all they could during the years they had ruled the roost in this country and, yet, they were bent upon draining resources out of an already impoverished country.

However, there was no scope for further delay. The second meeting of the Reconstruction Policy Committee on Shipping was held at New Delhi, on 26 October 1945, when a Sub-committee was set up with C.P.Ramaswami Aiyar as Chairman and M.A. Master, K.C.Neogy, A.H. Ghuznavi and W.C.A. Radcliffe as members to recommend a tonnage target for Indian shipping, to be attained within a period of five to ten years; the share in various trades to be secured for it and the measures to be taken to prevent not only monopoly but also the growth of too great a number of companies and

158. H.A.F. Rumbold to Mr. Anderson and Mr. Baxter, 1945, L/E/9/912, India Office Library and Records, London.

159. Ibid.

ensure fair and equitable distribution of trades among the companies.¹⁶⁰

The Sub-committee, proceeding on the generally accepted principle that the country should carry in its own national bottoms at least 50% of all her maritime trades, decided that there should be immediate reservation of the entire coastal trade of India with a share of 75% of India's trade with Burma and Ceylon, at least 75% in the geographically adjacent trades with Africa, the Middle East, Thailand, Indo-China, Malaya and the Dutch East Indies 30% of the trades formerly carried in Japanese vessels in the Orient of which Japanese shipping had been dispossessed and that in regard to the distant trades with Japan, China, Australia, Europe, U.K. and North and South America, 50% should be the target (the figures included both cargo and passenger traffic).¹⁶¹ For carrying the share of trade, prescribed above, 2 million gross tons of Indian shipping was required

160. A.H. Maru, Indian Shipping Since Independence, pp.21-22 and T.S.Sanjeeva Rao, A Short History of Modern Indian Shipping, p.138.

161. 'The Indian Mercantile Marine Planned Expansion', no date and 'Provisional Conclusions of the Shipping Policy Sub-Committee', L/E/9/912, India Office Library and Records, London.

and the Sub committee recommended the attainment of this target in the next five to seven years.¹⁶²

The Sub-committee submitted its report in March 1947.¹⁶³ This was approved by the Reconstruction Policy Committee in the same month and the Government resolution thereon, published in the Gazette of India Extraordinary of 12 July 1947¹⁶⁴, marked a turning point in the history of Indian Shipping. The Government agreed with the recommendation of the Shipping Policy Committee in the definition of Indian shipping as that 'owned, controlled and managed' by Indian nationals.¹⁶⁵ The Government had already read the writing on the wall, for they had advised British concerns with interests in India to be 'in no doubt of the trend of Indian opinion and that His Majesty's Government would take no responsibility for a deliberate disregard of Indian sentiment.'¹⁶⁶ The Government also accepted that the

162. Ibid. and Master to WH, 5 Sept. 1945, WH Papers, fl. 619, NMML.

163. A.H. Maru, op.cit., p.22 and T.S. Sanjeeva Rao, op.cit., p.138.

164. Ibid.

165. The Eastern Economist, 4 Apr. 1947.

166. Viscount Wavell to Lord Pethick Lawrence, 24 Oct. 1945, The Transfer of Power, Vol.IV, p. 390

coastal trade should be 100% Indian with the requisite targets to be reached within five to seven years.¹⁶⁷

Now that the Government proved to be more receptive, especially in the last few months preceding independence, there was a general feeling of satisfaction after the winning of a long and protracted battle against colonialism. It cannot, however, be denied that the powers that be became more amenable only when they perceived that they could not maintain their pernicious hold on this country.

The Government was exhorted to adopt a firm national policy and to cater to the need for acquiring new ships from abroad.¹⁶⁸ It was felt that it was very essential to build up India's overseas trade specifically at a time when British tonnage had been severely depleted due to the War¹⁶⁹ and British shipping had, until then, offered the maximum potential competition as they carried 99.5% of exports from

167. Bombay Chronicle, 15 Oct. 1947; The Times of India, 15 Oct. 1947 and National Standard, 22 Nov. 1947, MAM Papers, fl.210, NMML.

168. The Eastern Economist, 4 Apr. 1947, p.621 and Notes of The Indian Chamber of Commerce on Subjects to be discussed ^{with} I.T. Chundrigar, Commerce Member, GOI, to be held on 25 Jan. 1947, WH Papers, fl. 70, NMML.

169. The Secretary of The Indian Chamber of Commerce to the Secretary to the GOI, Dept. of Commerce, 28 Feb. 1947, WH Papers, fl. 70, NMML.

India to the U.K. and 95% of the exports from U.K. to India.¹⁷⁰ Keeping this in mind, the Government sponsored a delegation of Indian shipowners, under the chairmanship of Walchand Hirachand, to attend a conference of British shipowners in London, on 15 July 1947, in order to discuss the means by which the Indians could acquire essential tonnage in order to ply in her coastal and overseas trades.¹⁷¹

Walchand Hirachand, however, had the uncanny foresight, already sharpened by experience, to view the outcome of the conference with extreme pessimism.¹⁷² The British interests were far from helpful and insinuations were made against the efficiency, cost and quality of service of the Indian shipping companies.¹⁷³ The British interests were not prepared to discuss the questions of negotiating with the Indian interests, as a whole, on the Lines of the

170. The Eastern Economist, 4 Apr. 1947, p.621.

171. The Eastern Economist, 4 July 1947, p.11.

172. Speech delivered by WH at a reception held in his honour by R.M. Gandhi, President of the Indian Merchants Chamber on 25 June 1947 and Indian Finance, 5 July 1947, WH Papers, fl.622, pt.II, NMML and The Eastern Economist, 4 July 1947, p.11.

173. The Eastern Economist, 4 July 1947, p.11 and M.A. Master to WH., 13 June 1947, WH Papers, fl. 625, NMML.

recommendations made by the Shipping Policy Committee as approved by the Government.¹⁷⁴ They refused to sell any of their ships and insisted that the Indian shipowners should acquire the requisite tonnage on their own before trying to secure any share in the various overseas trades.¹⁷⁵ Having, thus, drawn a blank here, Indian shipping had no one else but the Indian Government to turn to for providing succour to the industry.

Of course, the problems of Indian shipping were not completely solved, but there arose a ray of hope, after years of darkness, in the minds of Indian entrepreneurs that, at last, the wheels of bureaucracy were moving in a forward direction.

174. Ibid.; Speech by WH, 18 Sept. 1947, MAM Papers, fl.210, NMML : Minutes of First and Second Meeting between British Shipowners and the Indian Shipping Delegation, 16 and 18 July 1947, MAM Papers, fl.214, NMML and William William Currie to W.G.Weston (Ministry of Transport), London, 15 Apr. 1946, L/E/9/912, India Office Library and Records, London.

175. Ibid.

CHAPTER - IV

**The Scindia's and the Development of
Shipbuilding Industry : 1939-1947**

Chapter IV

THE SCINDIAS AND THE DEVELOPMENT OF THE SHIPBUILDING INDUSTRY: 1939-1947

As far as the Indian shipbuilding industry in this period was concerned, the Scindia's were the pioneers. A Note brought out by the Scindia Company in 1947, on the shipbuilding yard at Vizag, read as follows:¹

Scindia shipyard at Vizagapatnam is the first shipbuilding project of its kind in India, established and equipped for the purpose of building ocean going ships upto 10,000 tons dead weight. After making preliminary enquiries, about the suitability of the various locations in India, the Scindia Steam Navigation Company decided, in the beginning of 1940, to establish a shipbuilding Yard at Vizag and on the advice of their Consulting Engineers, Sir Alexander Gibb and Partners selected the site on which the yard has now been built.

To the average reader, this seemingly innocuous paragraph offers no hint of the numerous obstacles and difficulties plaguing this infant enterprise, seeking to establish a foothold in the industrial set up under colonial rule. For the Indian shipbuilding industry, the 1940's was a tumultuous decade indeed !

1. A Note on Shipbuilding Yard at Vizag, Scindia Co., 24 Dec. 1947, WH Papers, fl. 615, pt.I, NMML.

However, the interest in setting up an Indian industry devoted to shipbuilding did not spring up overnight in the post-1935 period. The germ of this idea was already present as far back as 1918, when a representative conference which had met in Delhi had urged the Government to take measures, as soon as possible, for the construction of ships in the country. The Government spokesman responded to this exhortation by stating on the floor of the Legislative Council, that "Shipbuilding..... is a very ancient industry in India and I hope that immediately after the War is ended and the circumstances permit vigorous efforts will be made to revive it."² For centuries, Indian ships had been famed for their elegance workmanship and utility. However, by the 19th century, this was a thing of the past, as the benefits of the advanced technology concomitant with the Industrial Revolution in Britain did not accrue to India. The switch over to steel could not be made. In addition, the jealousy of the British shipbuilders did not allow Indian built ships to berth with their cargo in London. Indian shipbuilding was, therefore, completely wiped out by the 19th century.³

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2. 'First Modern Indian Shipbuilding Yard', no date, WH Papers, NMML and The Scindia Co. in Walchand Diamond Jubilee Commemoration, Volume, 1942, WH Papers, fl. 75 (a), NMML.
 3. Walchand Hirachand, 'Why India wants her own Shipping', India Speaking, p. 198. WH quotes Dr. Taylor, a 19th century historian in this connection.

In fact, the Scindia Co. had planned to set up a shipbuilding yard in the year 1920 itself.⁴ But upto 1935 nothing concrete could be achieved in that direction due to various reasons. Although, the Indian Mercantile Marine Committee's Report of 1924 had recommended the grant of construction bounties and other kinds of help for the establishment and development of a shipbuilding yard, nothing was ^{done} to implement the provisions mentioned in this respect.⁵ Around this time the Japanese Government assisted the shipbuilding industry in Japan by subsidies upto 1918 and thereafter by a system of rebates on import duties upon

4. K.V. Hariharan (ed), So I Rest... Writings of M.A. Master, Vol.2, p. 576. The Scindia Co. had, in 1920, invited Mr. Kneudsen, a great shipbuilding expert, for help in starting a Shipbuilding Yard. Unfortunately, the scheme could not proceed because the expert died of ptomaine poisoning. Also See 'First Modern Shipbuilding Yard', no date, WH Papers, fl. 610, pt.I, NMML and Walchand Hirachand, 'Why India wants her Own Shipping', India Speaking, p. 198.

5. WH to H.N.Kunzru, 25 Feb. 1941, WH Papers, fl. 610, pt. I, NMML and Shipbuilding in the Dominions and India, 9 July 1943, MAM Papers, fl. 26, NMML.

Para 59 of the Report of the IMMC states that 'If a Shipbuilding Yard is projected by an Indian company the Government may aid that enterprise by (a) advancing a cheap loan to the extent of 1/3 of the paid up capital of that company and assistance in acquiring suitable sites, (b) guaranteeing the giving of all Government and Port Trust Work to this Shipyard at a cost not unduly higher than the cheapest price which can be secured abroad for a similar class of work and (c) legislating that, when such a suitable Shipbuilding Yard is completed and established, all ships seeking for a licence on the coast should also be required to have been built in India.

materials used in building and repairing ships.⁶ Despite exhortations by the FICCI⁷ the Government by its lackadaisical attitude, even years after the report of the IMMC was presented, ensured that the progressive growth of the industry was put paid to.⁸ Indian entrepreneurs who would have made the efforts to set up this industry, inspite of the official attitude, were themselves hampered by factors which threatened the existence of the shipping industry in general. For instance, after the First World War, the benefit of the Trade Facilities Act in England was not extended to Indian shipping interests who were willing and anxious to built ships in British shipyards.⁹

A policy of hindrance and hostility that was followed by the Government, exacerbated by the debilitating rate wars

6. 'Boulters Report', 1926, Comm. Dept., GOI, fl. 720-S, pt.B, NAI.
7. FICCI Resolution, 14, 15 and 16 Feb. 1930, MAM Papers, fl. 69, NMML.
8. The Hindustan Times, 25 June 1940; the Amrita Bazar Patrika, 25 June 1940; Arthik Jagat, (a translation), 30 June 1941, WH Papers, fl. 610, pt.I, NMML and WH to H.N. Kunzru, 25 Feb. 1941, WH Papers, fl. 610, pt.I, NMML.
9. S.J. Desai, Secretary of the Indian Chamber of Commerce, Calcutta to The Secretary, Department of Commerce, 25 Sept, 1943, WH Papers, fl.70, NMML.

which continued upto 1935,¹⁰ was what motivated Walchand to state, in 1928, with extreme foresight:¹¹

In view of the successful attempts of the British shipping companies in the past, to wipe out of existence all endeavours to build up Indian shipping companies, by means which need not be characterised, to expect India to start the shipbuilding industry first, before conditions for running an Indian shipping company under normal and healthy competition are assured, will be to place the cart before the horse.

Thus, development of shipping capacity was linked with the development of shipbuilding.

From 1935, vigorous efforts were made in order to help establish an indigenous shipbuilding industry; beginning with negotiations for a suitable site in Calcutta.¹² Thereafter, followed a saga of determined struggle, with the Britishers refusing to yield an inch and the Indians, in this case represented by the Scindia Co., bent upon wresting

10. George Rainy's Notes, 13 May 1929, Comm. Dept., GOI, fl. 499-M.I./29, pt. B, June 1929, NAI; LAD, 1 Feb. 1927 Vol. IX, p. 330; G.Rainy in LAD, 2 Sept. 1927, Vol.IV. pp. 38 and 59-60; The Scindia Co. in Walchand Diamond Jubilee Commemoration Vol. 1942, WH Papers, fl. 75 (a), NMML, D.L. Neogy, Shipbuilding in India, Jan. 1941, The Modern Review, p. 61 and K.V. Hariharan (ed.), So I Rest....Writings of MA Master, Vol. II, p.576.

11. Speech by WH on the occasion of the Ordinary General Meeting of the Scindia Co., 29 Oct. 1928, WH Papers, fl. 326, NMML.

12. 'The Scindia Co., in Walchand Diamond Jubilee Commemoration Volume, 1942, WH Papers, fl. 75(a), NMML.

a mile. A close examination of the sequence of events, in this connection, helps in bringing into focus the array of problems faced by an infant enterprise in a colonial context; especially, when this enterprise came into direct conflict with the metropolitan monopoly in this field.

The Scindia Co. was greatly interested in obtaining a site at Calcutta for the purpose of setting up a shipbuilding yard. For this cause, endeavours continued for about five years¹³ without achieving a modicum of success. Enquiries, which were quite persistent, helped in bringing to their attention a prospective site¹⁴ and, as soon as, negotiations were started for acquiring it, the real hurdles arose. Until then, the Government had made no efforts, whatsoever, to help the Scindia Co. in its quest for suitable site and, in fact, Sir Thomas Elderton, Chairman of the Calcutta Port Commissioners, replying to Walchand's statement (in 1941) regarding the lack of help from the Port Trust, had blatantly declared that they "had" informed the

13. The Amrita Bazar Patrika, 6 Jan. 1941; The Bombay Chronicle, 6 Jan. 1941; The Hindustan Standard, 6 Jan. 1941, WH Papers, fl. 45, NMML and G.L. Mehta's Note in reply to the Chairman, Commissioner for the Port of Calcutta, 13 Jan, 1941, WH Papers, fl. 610, pt. I, NMML.

14. The Bombay Chronicle, 6 Jan. 1941; The Amrita Bazar Patrika, 6 Jan. 1941; The Hindustan Standard, 6 Jan 1941, WH Papers, fl. 45, NMML and G.L. Mehta to M.A. Master, 23 July 1940, WH Papers, fl. 610, pt.I, NMML.

representatives of the Scindia Co. of the site in their possession.¹⁵ Henceforth, British policy aimed at practicing one thing, while professing another. Governmental "assurances" were what, had led Walchand to entertain the hope of acquiring the Calcutta site. In a speech, on the occasion of an Ordinary General Meeting of the Scindia Company, in 1939, ^{Walchand} had said, "... we have been carrying on negotiations for a site which, we are advised will, be suitable for our purpose and if the Government of India, to whom we are subject, will be pleased to help us in obtaining the same on reasonable terms and actively encourage us in starting this new industry, I hope to report to you next year that we have been able to make satisfactory progress in regard to our scheme for the starting of a shipbuilding yard in this country".¹⁶

However, in less than a year's time, it became quite apparent that neither was the Government going to help them in obtaining their requirements 'on reasonable terms' nor were they going to show any inclination in rendering any aid to the shipbuilding industry.

15. Note of Thomas Elderton, 6 Jan. 1941 (An extract from the agenda of The Meeting of the Finance, Establishment and Traffic Committee of the Commissioners for the Port of Calcutta), WH Papers, fl. 610, pt. I, NMML.

16. WH's speech at the Ordinary General Meeting of the Scindia Co., 21 Dec. 1939, WH Papers, fl. 326, NMML.

The Calcutta Port Trust Commissioners sources appear to be the villains of the piece, in the fiasco that followed. As mentioned earlier, they had been absolutely indifferent towards the Scindia's request for help in securing a site. And, when a site was found, at last, they started displaying their true colours.

During the negotiations, enormous conditions were sought to be imposed on the Scindia's before the lease for renting out the site near King George's Docks at the Calcutta Electric Supply Corporation. A rent which increased from Rs. 1,78,000 per annum to nearly Rs. 6,00,000 per annum at the end of ninety years was sought to be charged.¹⁷ All attempts on the part of the Scindia's to bring down this rent, which they declared was prohibitive, proved to be of no avail. Despite, the Scindia protestations that the burden of such a high rent for a new industry would prove to be

17. G.L. Mehta to M.A. Master, 23 July 1940, WH Papers, fl. 610, pt. I, NMML, J. Elderton to M.A. Master, 15 Nov. 1938, WH Papers, fl. 608, pt. I, NMML and An accompaniment to the letter addressed by the Scindia Co. to the GOI, Dept. of Commerce, 31 Jan. 1940, WH Papers, fl. 608, pt. I, NMML, and Narottam Morarjee and Agents to the Secretary to the GOI, Dept. of Commerce, no date, WH Papers, fl. 608, pt. I, NMML.

A detailed table of progressive increase in rent is given as follows :

Contd....

unbearable;¹⁸ such entreaties fell on deaf ears! Interestingly, Sir Thomas Elderton could not "deny" that the rent to be charged was highly prohibitive for a newly established industry (and he admitted that this was so) but pleaded his 'helplessness' in reducing the rent, in view of the terms of their lease with the Calcutta Electric Supply Corporation due to which the rent could not be brought down without bringing about a reduction in the rent charged upon

Contd....

Years	Rent Per Cottah per Month (in Rs.)	Total Rent of the whole plot of 82- 2/3 Vighas per year (in Rs.)
Upto 31-4-1945	9/-	1,78,560
Upto 31-4-1955	11/4	2,23,200
Upto 31-4-1965	13/8	2,67,840
Upto 31-4-1975	15/12	3,12,480
Upto 31-4-1985	18/-	3,57,120
Upto 31-4-1995	20/4	4,01,760
Upto 31-4-2005	22/8	4,36,480
Upto 31-4-2015	24/12	4,91,040
Upto 31-4-2044	27/-	5,35,680

Source : T. Elderton to M.A. Master, 15 Nov. 1938 and Scindia Co. to GOI, 31 Jan. 1940, WH Papers, fl. 608, pt. I, NMML.

18. Narottam Morarjee and Agents to the GOI, Dept of Commerce, no date, WH Papers, fl. 608, pt. I, NMML and G.L. Mehta to M.A. Master, 14 Jan. 1941, WH Papers, fl. 610, pt. I, NMML.

Although the Scindia's had planned to buy the land, the authorities flatly refused to allow them to do so, hence, the need for renting the land.

the latter.¹⁹ Thus, it appears that the Calcutta Port Commissioners, while appearing to recognise the injustice of the situation, were not beyond putting forth any explanation suiting their purpose (of not allowing the coming up of an Indian enterprise) in order to 'maintain' that situation.

The Scindia's sought help from all quarters from which it would have been possible to solve the problem. However, in view of the cavalier attitude of the Port Trust Authorities, as also, the 'circumlocutory and dilatory' methods adopted by the Government of India, no compromise was possible²⁰ Generally, Indian civil servants and provincial Governments took a different view (from that of the Government of India) and it can be said to their credit that, if they failed, it was not due to any lack of effort on their part.²¹ The Commerce Member of the Bengal

19. G.L. Mehta to M.A. Master, 8 Aug. 1940 and 14 Jan. 1941, WH Papers, fl. 610, pt. I, NMML and Minutes of interview between M.A. Master and R. Mudaliar, 4 July 1940, WH Papers, fl. 610, pt. I, NMML.

20. The Scindia Co. in Walchand Diamond Jubilee Commemoration Vol., 1942, WH Papers, fl. 75, pt. (a), NMML and Arthik Jagat (a translation), 30 June 1941, WH Papers, fl. 610, pt. I, NMML.

21. WH to Sir P.S. Sivaswami Aiyer, K.C.S.I., 16 Dec. 1940, WH Papers, fl. 609, NMML; G.L. Mehta to M.A. Master, 23 July 1940, WH Papers, fl. 610, pt. I, NMML and Minutes of interview between M.A. Master and R. Mudaliar, 4 July 1940, WH Papers fl. 610, pt. I, NMML.

The efforts of Sir Ramaswami in this connection were, particularly, lauded by the Scindia Company office-bearers. The former made the effort to come down to Calcutta from Simla after Sir Elderton declined to go to Simla to hold discussions regarding the site.

Government, Mr. Suhrawardy, along with other Ministers in Bengal evinced keen interest in having a shipbuilding yard in Calcutta. In a conversation with G.L. Mehta, General Manager of the Scindia Co. he wondered why the rent of the Calcutta Electric Supply Corporation could not be reduced. In fact, Mr. Suhrawardy even had a talk with Sir Thomas Elderton regarding the unfairness of the rent charged.²² The latter managed, as was his wont, to defend himself by saying that he was 'helpless' in the matter.²³ However, the fact remains that Sir Elderton was so powerful that he could regulate happenings according to his choice. For example, even the Commerce Member of the Government of India, Sir Ramaswami Mudaliar (to whom the Scindia's had looked for support) could not make any headway with him. In reality, the Chairman of the Port Trust was so important, that he refused to accept the invitation of Sir Mudaliar to visit Simla to discuss the matter. In that event, it was the Commerce Member of the Government of India who had to come down to Calcutta to delve into the issue.²⁴

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22. G.L. Mehta to M.A. Master, 23 July 1940, WH Papers, fl. 610, pt. I, NMML and Minutes of interview between M.A. Master and R. Mudaliar, 4 July 1940, WH Papers, fl. 610, pt. I, NMML.
23. Ibid.; Note of T. Elderton, 6 Jan. 1941, WH Papers fl. 610, pt. I, NMML and G.L. Mehta to M.A. Master, 12 Feb. 1940, WH Papers, fl. 609, pt. I, NMML.
24. G.L. Mehta to M.A. Master, 23 July 1940, WH Papers, fl. 609, pt. I NMML, WH to Sir P.S. Sivaswamy Aiyer, 16 Feb. 1940, WH Papers, fl. 609, NMML and WH's speech at the Ordinary Meeting of the Scindia Co. 12 Dec. 1940, WH Papers, fl. 326, NMML.

Another clause sought to be clamped down on the Scindia's for acquiring the lease on the land was the right of re-entry by the Port Authorities, in the event of the land being required by them for port purposes, after payment of suitable compensation. The Scindia's wanted a lease of ninety nine years without any option to re-enter, while the Port Commissioners were willing, at the most, to give a lease for twenty five years with certain occupation and then reserving the right to re-enter it any time afterwards on giving three-years notice.²⁵

Quite naturally, there were protestations from the Scindia's and they proferred valid reasons for opposing this condition for obtaining a lease on the land. This sort of a pre-condition, according to them, could seem a fair proposition for an industry like the textile, the jute or any such similar industry, but would prove detrimental not only to the progress but also to the existence of a ship building industry. It would not be practical to give up a site which had been chosen with great thought to the ability of fulfilling its requirements, like that of the depth for the launching of a vessel, as well as requiring an

25. Sir T. Elderton to M.A. Master, 15 Nov. 1938, Elderton to Master, 7. Dec. 1939 and N. Morarjee and Agents to the Secretary to the GOI, Dept. of Commerce, no date, WH Papers, fl. 608, pt. I, NMML.

investment of lakhs of rupees. Moreover, it would have been impossible to bodily remove the ships which may have been laid down at the site and set them up at another place.²⁶ For this purpose, the Scindia's appealed to the Government to help them out in this respect.²⁷

It can be said to the credit of the Scindia enterprise that they were even willing to compromise in the face of the rigid stance of the Port Commissioners. They urged the the Government of India and, in particular, Sir Ramaswami Mudaliar to help them in securing the site, if not by sale then, atleast through a lease.²⁸ Regarding the rent, they stated that although it would be difficult to pay more than Rs.50,000 per annum, they were prepared to agree to whatever rate the Commerce Member could help in fixing up with the Port Commissioners at his discretion.²⁹ Even in the matter of the right of re-entry, they were prepared not to create a

26. N. Morarjee and Agents to the Secretary to the GOI, Dept. of Commerce, no date, and Walchand Hirachand to R. Mudaliar, 13 Feb. 1940, WH Papers, fl. 608, pt. I, NMML.

27. Ibid.

28. Ibid., and A.H. Ghuznavi in LAD, 18 Mar. 1940, Vol. II, p.1435.

29. W. Hirachand to R. Mudaliar, 13 Feb. 1940, and 12 Mar 1940, WHPapers, fl. 608, pt. I, NMML; M.A. Master to S.N. Morarjee, 2 Mar. 1940, WH Papers, fl. 609, NMML and G.L. Mehta to M.A. Master, 14 Jan 1941, WH Papers, fl. 610, pt.I, NMML.

fuss, if it helped them in obtaining access to the site.³⁰ However, all this proved to be of no avail and even Sir R. Mudaliar admitting to the futility of the situation where no solution appeared to be in sight, suggested that the Scindia's start considering Vizag as a possible site.³¹

Despite this, the Port Commissioners continued to act in the same manner as before without giving a thought to the benefits of having a shipbuilding yard, as soon as possible, in the country. They did everything possible to stunt this effort and, in fact, put up a defence for each of their actions. But, they were not able to pull wool over the Scindia Company's eyes, in particular. Indian entrepreneurs were not lacking in awareness of their inferior status under colonial rule.

Not only did the Scindia's see through the flimsy excuse of Sir Thomas, of being unable to reduce the rent, but also castigated him for providing 'false' information to the effect that the Port Authorities had brought into notice the site near the King George's Docks. The Scindia's maintained that they came to know about the site through

30. WH to R Mudaliar, 13 Feb. 1940, WH Papers, fl. 608, pt. I, NMML.

31. M.A. Master to S.N. Morarjee, 6 May 1940 and WH to Kasturbhai Lalbhai, 4 Apr. 1940, WH Papers, fl. 609, NMML and WH to R. Mudaliar, 12 Mar. 1940, WH Papers, fl. 608, pt. I, NMML.

their own representatives in 1937 and not through the offices of the Port Commissioners.³²

The Port Authorities, apparently tried to push the Scindia's off to another site, well, after the latter had examined the site near King George's Docks, in regard to its suitability, and had already been conducting negotiations for acquiring it. The alternative site, recommended by the Calcutta Port Commissioners, was downstream on the Howrah side of the river.³³ It was, but, natural for the Scindia's to protest against such attempts to get them out the way; given the fact that any new site needed to be examined thoroughly regarding its suitability and such an investigation would take a couple of years and would inordinately delay the setting up of a yard;³⁴ which was, perhaps, what the Calcutta Port Commissioners wanted. The Scindia's emphatically, averred that having spent a great amount of energy, time and money regarding the King George's

32. T. Elderton's Note, 6 Jan. 1941 and a reply to the Note by G.L. Mehta, 13 Jan 1941, WH Papers, fl. 610, pt. I, NMML.

33. T. Elderton to M.A. Master, 15 Nov. 1938 and N. Morarjee and Agents to the Secretary to the GOI, Dept. of Commerce, no date, WH Papers, fl. 608, pt. I, NMML.

34. N. Morarjee and Agents to the Secretary to the GOI, Dept. of Commerce, no date and M.A. Master to N.R. Pillai, Joint Secretary to the GOI, Dept. of Commerce, 30 Mar 1940, WH Papers, fl. 608, pt. I, NMML.

Docks site, they wanted that particular one itself while, at the same time, they would not be disinterested in acquiring an additional site in Calcutta to complement the first one.³⁵

However, the Scindia's, for all their efforts, could not obtain the site in Calcutta. It was a great shock for them when the Commerce Member indicated, contrary to their expectations, that they would consider the question of proposed and other sites under examination and that a decision would be reached, by May 1940; which would be conveyed to the Scindia's and other shipbuilding interests.³⁶ Probably, the Commerce Member, perforce, had to act in this manner, because he could not find a solution to the problem. This was what, perhaps, made Walchand Hirachand declare, in December 1940, that "...little did I then realise that even the active interest of an Indian Commerce Member will be of no avail in making the European Chairman of the Calcutta Port Trust look at our project from a broad material point of view or realise the urgent need for establishing a shipbuilding yard in India"³⁷

35. M.A. Master to N.R. Pillai, 30 March 1940, WH Papers, fl. 608, pt. I, NMML.

36. Ibid.

37. WH's speech at the Ordinary General Meeting of the Scindia Co., 12 Dec. 1940, WH Papers, fl. 326, NMML.

A nationalist newspaper like the Arthik Jagat, in decrying the attitude of the Calcutta Port Commissioners, attributed such a policy to the European majority in the Port Trust, in which four of nineteen members were Indians and the rest Europeans.³⁸ In addition, the Chairman being an European, who was unsympathetic to Indian interests aggravated the situation.³⁹ The Scindia's were also dejected by the attitude of the Indian Commissioners (Mention is made of three of them) in the Port Trust, who did not even support the Scindia's in their argument.⁴⁰ Probably, their official position was more dear to them than fighting for a nationalist cause.

Thus, the Scindia's had to look towards other pastures. They, ultimately, selected Vizag and even in this matter, there raged a controversy. The Port Authorities at Calcutta claimed that the Scindia's went to Vizag because it was technically more suitable. The Scindia's vociferously denied this, saying that it was because they had been pushed out of Calcutta, due to the fact that "16, Strand Road" (offices of -----

38. Arthik Jagat (a translation), 17 Mar 1941, WH Papers, fl. 611, pt. I, NMML.
39. Elderton's Note, 6 Jan. 1941, G.L. Mehta's Note, 13 Jan. 1941 and G.L. Mehta to M.A. Master, 23 July 1940, W H Papers, fl. 610, pt. I, NMML and M.A. Master to S.N. Morarjee, 6 May 1940, WH Papers, fl. 610, pt. I, NMML.
40. G.L. Mehta to M.A. Master, 14 Jan. 1941, WH Papers fl.610, pt. I, NMML.

the Port Trust) had an eye on the site, that they had to look towards Vizag.⁴¹ In this connection it is quite apparent that at a time when newspapers and institutions, like the Bengal National Chamber of Commerce and the Indian Chamber of Commerce,⁴² continuously espoused the benefits that would accrue to Calcutta if it was chosen as a site for a shipbuilding yard; it would provide employment for labour and with raw materials being readily available in the vicinity it was a viable proposition economically; the powers that be, however, remained unmoved. More important the issue which assumed importance, as stated by Mr. G.L. Mehta,⁴³ was "not whether one site was more suitable than the other, but that a policy was deliberately followed of remaining blind to the country's needs, and not only neglecting to do any thing about it but also setting about in obstructing any attempts in this direction."

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41. Elderton's Note, 6 Jan 1941, G.L. Mehta's Note, 12 Jan. 1941 and G.L. Mehta to M.A. Master, 23 July 1940, W H Papers, fl. 610, pt. I, NMML and M. A. Master to S.N. Morarjee, 6 May 1940, W H Papers, fl. 609, NMML.
42. Letter from The Indian Chamber of Commerce, Calcutta to the Secretary, National Planning Committee, Bombay, 3 June 1939, W H Papers, fl. 41, pt. II, NMML; Speech by Dr. N.N. Law (President of the Bengal National Chamber of Commerce) at the First Quarterly General Meeting of the Bengal National Chamber of Commerce, 20 June 1941, WH Papers, fl. 610 pt. I, NMML and Arthik Jugat (translation), 1 July, 1940, W H. Papers, fl. 610, pt. I, NMML.
43. G.L. Mehta's reply to T. Elderton's Note of 6 and 13 Jan. 1941, W H Papers, fl. 610, pt. I, NMML.

The Scindia's did not sit idle while waiting for the Calcutta contract to fall into their hands. They were, forever, busy scouting around for prospective plots which would serve their purpose-Bombay, Okha and Rangoon⁴⁴ were some of the sites considered by them. Unfortunately, these sites did not appear to have been found favourable by them; Bombay was unsuitable because the necessary depth of water without the necessity of continuous dredging and a site suitable for having a minimum number of building berths could not be found there.⁴⁵ Okha probably appeared to be an uneconomic proposition, as ships would have had to go in ballast from Bombay to Okha and to come back to Bombay for loading cargo.⁴⁶

Before the Scindia's could finally make their dream of building an indigenous shipyard a reality, many more hurdles had to be cleared. The site at Vizag was acquired on 13

44. WH to HE Sir V.T. Krishnamachari, Dewan Saheb, Baroda, 7 Mar. 1939, WH Papers, fl. 608, pt. I, NMML and M.A. Master to D. S. Erulkar, 4 Mar 1940 and Alexander Gibb and Partners to D.S. Erulkar, 14 May 1940 W H Papers, fl. 609, NMML.

45. WH to V.T. Krishnamachari, 7 Mar. 1939, W H Papers, fl. 608, pt. I, NMML.

46. M.A. Master to WH, 31 July 1939, W H Papers, fl. 608, pt. I, NMML.

November 1940⁴⁷ and its foundation laid on 21 June 1941.⁴⁸ This site was obtained on the basis of a ninety nine year agreement.⁴⁹ However, even acquisition was not without its problems. There was the haggling involved in fixing a minimum rent, concomitant with the usual regular correspondence between the Government and the Scindia Co. observed throughout this period. Ultimately, the persistence of the Scindia's paid off and although the basic rate of Rs.70/- for 1000 square yards could not be brought down, the decennial rent for renting the site was reduced from the original Rs.20 per 1000 square yards to Rs.15 per 1000 square yards. While the Scindia's would have preferred a rate of Rs.10 for the same,⁵⁰ they appear to have agreed to accept whatever reduction, as was available in the

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47. G.L. Mehta to M.A. Master, 23 July 1940, and A Note on the Progress of Construction of the Shipbuilding yard at Vizag, Scindia Co., 5 Feb. 1941, WHPapers, fl. 610, pt. I, NMML.
 48. K. V. Hariharan (ed.), So I Rest ---- Writings and Speeches of M.A. Master, Vol.2, p.577 and the Scindia Co. in Wachand Diamond Jubilee Commemoration Volume, 1942, W H. Papers, fl. 75(a), NMML.
 49. G.D. Khanolkar, WH, Man, His Times and Achievements, p.378. The site was obtained after the Royal Indian Navy waved its lien over it.
 50. Note of interview between Messrs. M.A. Master, G.L. Mehta and Young with Mr. S.N. Roy, Secretary, Communications Dept., 24 June 1940, W H Papers, fl. 609, NMML and Master to S.J. Pandya, 5 Feb. 1941, W H Papers, fl. 610, pt. I, NMML.

circumstances, in order to avoid letting the side go out of their hands.

There was no grant of subsidy in the cost involved in setting up of the yard, although the Scindias did hope to obtain it.⁵¹ This was in stark contrast with the position in Britain, Japan, Canada, Australia and America, where shippers received state help for building ships during the war and even in peace time, in the form of loans, subsidies and specific orders.⁵² In Canada, the Government provided the necessary aid in helping a ship construction programme of \$ 50 million in 1941 to construct a hundred ships.⁵³ In Japan,

51. Mehta to Master, 23 July 1940 and Mehta to H.N. Kunzru, 10 Feb. 1941, WH Papers, fl.610, pt.I, NMML.

52. Master to Jaisukhlal K. Mehta, Secretary, Indian Merchants' Chamber, Bombay, 15 July 1941 and Note from Mehta to Kunzru, 25 Feb 1941, WH Papers, fl. 610, pt.I, NMML, Jugantar' (a translation), 19 Dec. 1944, WH Papers, fl. 622, Vol.II, NMML; D.L. Neogy, 'Shipbuilding in India, The Modern Review, Jan 1941, p. 62 and Shipping developments in the U.S. (A Memo), 1 Apr. 1930, Comm. Dept., GOI, fl. 34-M.I. (3)/30, pt. B, NAI.

A place like Hong Kong, without having raw materials built up its own ship-repairing and ship building industry by practically importing all its requirements from abroad, while India, possessing her own raw materials, except for engines, propellers and some machinery, could not make any progress in the construction of its yard for many years.

53. WH to Kunzru, 25 Feb. 1941 and Master to J.K. Mehta, 15 July 1941, WH Papers, fl. 610, pt. I, NMML.

too, the shipbuilding industry progressed greatly due to state patronage from 1922-29, bounties were given to shipbuilders on domestic steel production and certain exemptions from import duties. In 1929, loans on very easy terms upto \$ 3 million were given. Under their scrap and build scheme, thirty one ships were built and actual subsidy amounting to \$ 6,50,000 and representing half the cost of the vessels was given.⁵⁴ In America, during the late 1930's and the early 1940's, the picture of shipbuilding was very bright. D.L. Neogy states in The Modern Review, dated January 1941, that, "Private shipbuilding yards had their own share of shipbuilding well-defined and the Naval Dockyards of the Government were not allowed to interfere with private enterprise. Even when foreign countries offered to build ships at even half the cost of that of U.S. building yards, the U.S. Government or the shipping companies did not look upon them as a profitable concern. Last, but not the least initially the US. Government gave loans upto 75% of the contract money as subsidy but later on changed it to a gift amounting to 33% of the total cost of building a ship in an U.S. building yard".⁵⁵ In stark contrast, the Indian Government did none of these things.

54. Master to Kunzru, 22 Mar. 1941, WH Papers, fl. 610, pt. II, NMML.

55. D.L. Neogy, 'Shipbuilding in India', The Modern Review, Jan. 1941, p.62.

In fact, its policy, despite the recommendations of the IMMC, was geared towards completely ignoring the Indian shipbuilding industry.

The Scindia's wanted the Government's assurance that they would help those interested in shipbuilding.⁵⁶ Fortunately, at this point of time, the Scindia's were not hampered by a problem of shortage of capital. In an Extraordinary General meeting of the Scindia Company held on 12 February 1940, the shareholders had agreed to increase the capital of the Company from Rs.1½ crores to Rs.2¼ crores to help the Company in going ahead with its scheme for laying out a shipbuilding and a ship repairing yard.⁵⁷ Therefore, the reason for development or, rather, the lack of it, of an indigenous enterprise in this field was not due to the fact that Indian capital shied away from investing in such ventures or due to lack of entrepreneurial skill, but because of the impact of British policies on the economic front in this country. In fact, the overall attitude of the Board of Trade and the British Admiralty in India to the whole idea of a shipyard in India (built by Indians) was,

56. WH. to Linlithgow, 11 June 1938, Comm. Dept., GOI, fl. 20-MI (7)/38, pt.B, NAI.

57. WH to Sir P.S. Sivaswamy Aiyer, 16 Feb. 1940, WH Papers fl.609, NMML; D.S. Erulkar to M.A. Master, 10 July 1940, WH Papers, fl. 610, pt.I, NMML and G. D. Khanolkar, WH Man ..., p.378.

according to Walchand Hirachand, entirely unsympathetic and unfavourable".⁵⁸ Moreover, Walchand did not consider that the Government was to be credited for the Scindia Company's acquisition of the Vizag site, as the former not only did not offer any concessions nor did it provide any special facilities, let alone any financial assistance or subsidy. In addition, he stated that the port of Vizag had been unremunerative to the Government and the land had been lying as a burden on the hands of the Government for a long time.⁵⁹

With the onset of the Second World War in 1939, many Indian capitalists, including Walchand Hirachand, had perceived it as a major opportunity for making an industrial spurt. According to Walchand, this was the appropriate period for the Government to "build new industries, especially key industries and fill up the gaps in the economic system so as to remove India's dependence on foreign countries in respect of important manufactures, chemicals... and to remove India's economic helplessness in times of emergency when the supplies might be cut off, but essential services and goods to be maintained".⁶⁰ Indian

58. The Amrita Bazar Patrika, 6 Jan. 1941; Bombay Chronicle, 6 Jan. 1941 and The Hindusthan Standard, 6 Jan. 1941, WH Papers, f. 45, NMML.

59. Ibid.

60. The Hindusthan Times, 25 June 1940.

capitalists saw the war as a period which would help in loosening the shackles of colonialism.

The strangeness of British policy towards Indian industry is discernible from the reported statement by Sir Alan Lloyd, Commerce Secretary, on the floor of the Council of State, on 29 November 1940, that (the) "Government are (was) not proposing to encourage actively shipbuilding as part of their war effort".⁶¹ This was an astounding statement coming, as it did, in the wake of the Commerce Member's assurance that "the Government would help in the establishment of war industries."⁶² Furthermore, it appears strange, that, given the exigencies of the war, when the demand for more and more ships had been the outcry of the British Government, nothing was done to help the Indian shipbuilding interests. Such a stance was in stark contrast

61. See LAD, 29 Mar. 1941, Vol. III, p. 2095; An untitled article by a Scindia Co. official, 30 Nov. 1940 and The Hindusthan Standard, 6 Jan. 1941, WH Papers, fl. 45, NMML; The Amrita Bazar Patrika, 6 Jan. 1941; Bombay Chronicle, 6 Jan 1941, Council of States Debates, 29-Nov. 1940, WH Papers, fl. 610, pt. I, NMML; Letter from the Secretary of Indian Chamber of Commerce to the Secretary to the Government of India, Dept. of Commerce, 25 Sept. 1943, WH Papers, fl. 70, NMML and WH to Kunzru, 25 Feb. 1941, WH Papers, fl. 610, pt. I, NMML.

62. The Amrita Bazar Patrika, 6 Jan 1941; Bombay Chronicle, 6 Jan 1941; The Hindusthan Standard, 6 Jan. 1941, WH Papers, fl. 45, NMML and Master to Kunzru, 22 Mar 1941, WH Papers, fl. 610, pt. II, NMML.

to a statement made by Sir Ronald Cross, British Member of Shipping, in a broadcast on 26 August 1940, that "our resources are great but they cannot be too great to meet the needs of the future and we should frankly welcome all means of increasing our shipping by the aid of the shipyards of the Dominions or elsewhere".⁶³ The Indians attacked the Government for not considering 'shipping from elsewhere' as including encouragement for the establishment of shipbuilding in India,⁶⁴ while simultaneously getting their ships built in the Dominions of Canada and Australia in order to meet their needs for ships as the yards in Britain, although working at full speed, were continually suffering from incessant interruption, dislocation and destruction owing to air raids.⁶⁵

63. WH to Kunzru, 25 Feb 1941, WH Papers, fl 610, pt. I, NMML; An untitled article by a Scindia Co. Official, 30 Nov. 1940, W H Papers, fl. 45, NMML; An article titled, 'What is the policy of the Government of India towards the establishment of a Shipbuilding Yard in this country', (author not known), 19 Mar. 1941, W H Papers, fl. 61 pt. I, NMML and A. C. Dutta in LAD, 29 Mar 1941, Vol III, p. 2095.

64. W H to Kunzru 25 Feb 1941, WH Papers, fl. 610, pt. I, NMML.

65. Ibid.; L.S. Bisht (Secretary of the Indian Chamber of Commerce) to the Secretary to the Govt. of India, Dept. of Commerce, 28 Feb 1947, WH Papers, fl. 70, NMML, Master to Kunzru, 22 Mar. 1941, WH Papers, fl. 610, pt. II, NMML and Bombay Chronicle, 27 Aug. 1943.

In demanding that the shipbuilding industry receive official patronage, the Scindia's and others sought to show that the development of this industry was very essential for the progress of the country, not only for overall economic development, but also as a means of defending the country from a strategic point of view. In putting forward their case, they showed that even powerful countries like Great Britain and the U.S. with huge financial reserves of their own gave protection to their industries⁶⁶ so, by the same logic, Indians deserved special treatment in this connection. They stated that it was very essential to have their 'own' navy of supply' and 'a navy of defence' - the former to meet the requirements of her import and export trade, as well as, encourage the establishment of such ancillary industries as those supplying machinery and other equipment that would be required for a shipbuilding industry, and in war time, it was imperative to have an adequate Indian built fleet for defensive purposes, given the country's long and vulnerable coast line complete with

66. Presidential Speech of Mr. K.D. Jalan, delivered at the 2nd Quarterly General Meeting of the Indian Chamber of Commerce, 14 Nov. 1946, and also at the 21st Annual General Meeting of the Chamber, 28 Mar. 1947, WH Papers, fl. 70, NMML and Arthik Jagat, (a translation), 30 June 1941, WH Papers, fl. 610, pt. I, NMML.

harbours and homesteads.⁶⁷ Thus, it is clearly seen that the Scindia's were not motivated solely by private profits but also by a politico - ideological consciousness of the immediate requirements of the country in setting up this industry.

It was a major grouse of the Indian shipowners that they were not only prevented from building ships, but also that all the ships in their hands were requisitioned for 'war purposes', while cases of British ships plying on the coastal traffic routes, to make money for His Majesty's Government, were known. In addition adequate rates were not paid for the hire of Indian vessels and in the case of loss in attack, they were not suitably recompensed.⁶⁸ Moreover, the jealousy of the British interests is quite apparent in

67. Letter from the Indian Chamber of Commerce to the Secretary, National Planning Committee, 3 June 1939, WH Papers, fl. 41, pt. II, NMML; An article on 'WH', Scindia Co., no date, WH Papers, fl. 75, (a), NMML; Master to J.K. Mehta, 15 July 1941, WH Papers, fl. 610, pt. I, NMML; Mehta's Note, 13 Jan. 1941, WH Papers, fl. 610, pt. I, NMML; Interview of W H with H.E. Lord Wavell, the Viceroy of India, 7 July 1944, WH Papers, fl. 618, pt. I and MAM Papers, fl. 137, NMML and The Hindustan Times, 25 June 1940, NMML.

68. Bombay Chronicle, 3 Nov. 1945; Letter from the Indian Merchants' Chamber to the Secretary, The FICCI, 19 Mar. 1941, and article, 'Indian shipping and the Policy of Requisition', (author not known), no date, WH Papers, fl. 61, pt. I, NMML; Master to R. Mudaliar, 28 Feb. 1941, WH Papers, fl. 611, pt. I, NMML; Circular No. 1097 of the Scindia Co., 29 July 1941, WH Papers, fl. 612, NMML and Scindia Co. Note, 21 July 1943, W H Papers, fl. 614, pt. II, NMML.

their policy of not allowing Indian built ships to be accepted in the British Register.⁶⁹

The war which provided an excellent opportunity, for the Government, to build up new key industries did not prove beneficial for India in this respect due to the deliberate apathy of the people at the helm of affairs.⁷⁰ Despite the need of the hour, Indian enterprise was not to be encouraged in any way and the analogy 'Nero fiddled while Rome burned' is a fitting description for this situation.⁷¹ Newspapers like The Hindusthan Standard and the Basumati carried articles reporting a speech by M.A. Master on "Indian Shipping", in 1945, which berated the Government for complaining of the inadequacy of India's sea transport and squarely laid the blame for this at the door of Governmental shipping policy which had strewn numerous hurdles, all of which were not easily surmountable, in the face of Indian attempts to build a shipping and shipbuilding industry.⁷² The media was thus used as an effective weapon to arouse

69. WH, 'Why India Wants Her own Shipping', India Speaking, p. 198.

70. The Hindustan Times, 25 June 1940.

71. 'What is the policy of the GOI towards the establishment of a Shipbuilding Yard in this country', (author unnamed), 19 Mar. 1941, WH Papers, fl. 61, pt. I, NMML.

72. The Hindusthan Standard, 31 July 1945, and The Basumati 31 July 1945, WH Papers, fl. 90, pt. II, NMML.

public awareness and to draw a lucid picture of the existing state of affairs.

The Government cleverly tried to skirt the issue of not having given any subsidies to the yard at Vizag by announcing that the Company had not asked for it. The Scindias shot back a sharp rejoinder, querying if the Government would have been so amenable, if such a presentation was made in that direction.⁷³ This effectively sealed the mouths of the Government and made them refrain from issuing such statements in its favour. It is a fact that no subsidy or aid was given in continuation of a practice followed even before 1940.⁷⁴ Upto 1940, national aid to shipping was as follows :

Table I

U.K. in £		India in £
47,732,480	Loans given to Shipbuilding (1921-40)	NIL
320,000	Subsidies given to Shipbuilding (1939-40)	NIL
10,000,000	Proposed Loans to be given to Shipbuilding	NIL
2,500,000	Proposed subsidies to be given to Shipbuilding	NIL

Source : Speech by the President of the Indian Chamber of Commerce, Calcutta, 23 May 1941, WH Papers, fl.611, pt. II and MAM Papers, fl.26, NMML.

73. An article by a Scindia Co. official, (untitled), 30 Nov. 1940, W H Papers, fl. 45, NMML.

74. WH to Kunzru, 25 Feb. 1941, WH Papers, fl. 610, pt. I, NMML; Speech delivered by Sir Badridas Goenka, President of the Indian Chamber of Commerce, 23 May 1941, WH Papers, fl.611, pt. II, NMML and G.D. Khanolkar, op.cit., p. 378.

Voices like that of Admiral Fitzherbert urging for the development of the shipbuilding industry in India (August 1940) remained echoes in the wilderness.⁷⁵ It is strange hearing such statements by an official who had been Vice-Admiral of the Royal Indian Navy and who, to top it all, was a Britisher. Not surprisingly, the Government remained unmoved.

The Scindia's had to waste a lot of time on a doomed proposal, made at the instance of the Government of India themselves, regarding bodily transfer of a shipyard from U.K. in order to facilitate the speedy setting up of the Yard.⁷⁶ The Scindia's, perhaps, made all the wiser by experience, even assured the Government that the steamers built in the Yard would be placed at the latter's disposal during the War,⁷⁷ in order to prevent the Government

75. WH to Kunzru, 25 Feb. 1941, WH Papers, fl.610, pt. I, NMML. Also a Letter from the Secretary of the Indian Chamber of Commerce to the Secretary to the GOI, Dept. of Commerce, 28 Feb. 1947, WH Papers, fl.70, NMML; Master to Kunzru, 22 Feb. 1941, WH Papers, fl.610, pt. I, NMML, 'Shipbuilding in the Dominions of India', 9 July 1943, MAM Papers, fl. 26, NMML and LAD, 29 Mar. 1941, Vol. III, p. 2095.
76. The Amrita Bazar Patrika and Bombay Chronicle, 6 Jan 1941; The Hindustan Standard, 6 Jan. 1941, WH Papers, fl.45, NMML; WH to Kunzru, 25 Feb. 1941, WH Papers, fl.610, pt. I, NMML and LAD, 29 Mar. 1941, Vol. III, pp. 2096-97.
77. Ibid. and The Scindia Co. in Walchand Diamond Jubilee Commemoration, Volume, 1942, WHPapers, fl. 75(a), NMML.

dithering in this respect. However, this proposal too, fell by the wayside as the British Admiralty, the Board of Trade and the Controller of Shipbuilding in the U K were not favourable to it and rejected it.⁷⁸ Despite the entreaties of the Scindia Co. to His Majesty's Government to offer help in this connection by extending the necessary facilities from the U.K., Sir James Lithgow (the Controller of Shipping and shipbuilding in the U.K.), flatly refused to allow any shipyard machinery either new or second hand, to be exported to India, ostensibly, due to the 'extremely' serious situation that England was faced with and 'even if' some manufacturers in England were willing to sell such machinery, he would not permit them to do so.⁷⁹ The India Office informed D.S.Erulkar, Managing Director of the Scindia offices in London, in July 1940 that although the Government of India had 'favoured the proposal, they (i.e. the Indian Government) had not supported it and had not made a specific recommendation that they supported the scheme.⁸⁰

This was a flimsy excuse, proffered in order to cover up the

78. WH to Kunzru, 25 Feb. 1941 and Note of The Scindia Co., 15 Mar. 1941, WH Papers, fl. 610, pt.I, NMML.
79. Note of The Scindia Co., 15 Mar. 1941, WH Papers, pt.610, pt.I, NMML.
80. Ibid. and Master to Kunzru, 22 Mar. 1941, WH Papers, fl. 610, pt.II, NMML. According to Master, the attitude of the GOI can be described as follows "The GOI will not say that India claims this assistance. The GOI will only say give this assistance if you can."

inaction preceding the final rejection. Another grandiose plan had collapsed as far as Indian ship building enterprise was concerned.

The Government, by steadfastly refusing to consider the Vizag project, created a lot of problems leading to delay in the progress of the Yard. It was a difficult situation as, in the extenuating circumstances of war, acquisition of necessary machines, machine tools, steel and other necessary materials from abroad was not going to be easy. Moreover, this provided the Government with the 'perfect excuse' for not aiding this industry in the form of necessary help in the shape of men and machinery.⁸¹ As Mr. Croft, of the India Office, remarked in an interview with D.S. Erulkar, "the attitude of the British Government would be that, while they fully recognised the importance of a vital industry such as the shipbuilding industry in India, it was a question of relative importance. In other words, whether at that time any men or machinery could be spared from the U.K., for the purpose of a shipbuilding industry, was a matter of relative importance."⁸²

81. 'What is the Policy of the GOI towards the establishment of a Shipbuilding Yard in this Country' (author unknown), 19 Mar. 1941, WH Papers, fl. 61, pt. I, NMML and Arthik Jagat (a translation) 30 June 1941, WH Papers, fl. 610, pt. I, NMML.

82. Scindia Co. Note, 15 Mar. 1941, WH Papers, fl. 610, pt. I, NMML.

The Scindia's had been running from pillar to post in order to get their project classified as part of 'the war effort'. They even met the Commerce Member, Sir Ramaswami Mudaliar, asking him to reconsider the question of the shipbuilding project as 'war effort'. The latter promised to do so, although he had his own reservations as he felt that since it would take three to four years for building ships, it would be difficult to consider the project as 'war effort'.⁸³ However, M.A. Master, General Manager of the Scindia Co., stated positively that if the project was passed as a 'war effort', the Company would be able to deliver the ships in 1942.⁸⁴ But, the Government dealt another blow to the Scindia's when, in 1941, after hinting that they would consider the Scindia project as 'War effort', in a sudden volte face, declared that they found the shipyard project of the Scindia's less attractive at that time than before and, as such, obtaining the license of His Majesty's Government for the manufacture of machinery for which orders were placed and also for the export of

83. Minutes of interview between Master and R. Mudaliar, 19 May 1941 and S.J. Pandya to E.M. Jenkins, 21 July 1941, WH Papers, fl.608, pt.I, NMML and Jugantar (a translation), 23 June 1943, WH Papers, fl. 608, pt.I, NMML.

84. Ibid.

their shipyard machinery to India would be difficult.⁸⁵ This was a turn around on the assurance by E.M.Jenkins, Secretary to the Government of India, on 9 December 1940, that His Majesty Government "were prepared to consider favourably the question of enabling the Scindia's to buy machinery in the U.S. and to release the dollar exchange for that purpose."⁸⁶ Interestingly, it appears that Government had been giving such indefinite assurances to the Company so that, if the need arose, they could benefit from the project. But as soon as they found a way out in the form of the American Lease and Lend Bill, no more sympathetic talk was heard, for under this system they were able to secure the much needed ships.⁸⁷ Therefore, the Scindia's were now dispensable and the reason proffered for not giving them help was that of the uncertainty of the date when the construction of ships would be commenced in the Yard.⁸⁸ Upto October 1940, the authorities were even reluctant to permit

85. Scindia Co. Note, 15 Mar. 1941, WH papers, fl. 610, pt.I, NMML.

86. Ibid. W.D. Croft of the India Office in an interview with D.S. Erulkar, on 30 Nov. 1941, had told him that they had given the application of the Scindia's their careful consideration from the point of view of treating the Scindia proposal for a shipyard in India as a War measure. Such an indication had raised Scindia hopes.

87. Ibid.

88. Ibid.

purchase in America on the grounds that it would "upset the dollar exchange position between America and India,"⁸⁹ British policy sought to block all those avenues through which Indian enterprise would have benefitted. Undoubtedly, it was the Government which, in the first place, was responsible for the delay in setting up the Yard, as also in the uncertainty regarding the time when the first Indian ship would emerge from the Yard.

In 1940, it was brought to light that the Government was building small trawlers (eight in number) at Bombay and was also building small ships. These were not being constructed by any Indian enterprise, although Indian companies like the Eastern Bengal S.N.Co., The Indian Shipping Company Ltd. (of L.N.Birla) and the Howrah Trading Company Limited (of K.D. Jalan) were building small vessels at that time. On being asked why Indian companies were not obtaining Government orders, despite the fact that they were capable of meeting their requirements, Sir Guthrie Russell, Director General of Engineering, merely stated that he would "see what these companies could do for the Government."⁹⁰ Indian enterprise was, therefore, grossly neglected.

89. Ibid. and Note by K.J. Shah on 'The Repatriation of India's Sterling Dept.', Feb. 1942, WH Papers, fl.72, NMML.

90. Proceedings of the meeting with Sir Guthrie Russell, Director General of Engineering (Indian Chamber of Commerce), 5 Sept. 1940, WH Papers, fl. 61, pt.I, NMML.

The Government's recalcitrance towards the Scindia Company's efforts is clearly apparent in their attitude towards the latter's petition for help in getting steel, from the Tatas, for their workshops and for the hulls of the ships which they proposed to build. The Government, instead, declared that it would only be made possible provided other 'requirements' were satisfied⁹¹ 'Requirements' was just the operative word, used, to disguise their real intentions; for a Press Communique, issued by the Government of India, dated 16 December 1940, read as follows:⁹².

The Government of India have also been very sympathetic to the scheme for establishing a shipbuilding yard, a site for which has finally been decided upon at Vizag. There are considerable difficulties in starting a shipbuilding project, in time of war, such as procuring the necessary ships' engines, which cannot be constructed in India, and securing steel for the ships' hulls. the Government of India having used their good offices with His Majesty's Government to obtain the necessary assistance from the U.K., so far as the urgent needs of the war permit the U.K. to furnish assistance and will continue to do all in their powers to help in overcoming difficulties.

Made wiser through experience people, like Walchand Hirachand and M.A.Master, saw the Press release as a sham. They could not comprehend as to why the Government did not

91. 'What is the Policy Yard in this Country', author unknown. 19 Mar. 1947, WH Papers, fl.61, pt.I, NMML.

92. Extract from Press communique, GOI, 16 Dec. 1940, WH Papers, fl. 612, pt.II, NMML.

consider it to be its duty to remove obstacles in obtaining machinery and steel instead of adopting an unhealthy attitude towards indigenous efforts at shipbuilding.⁹³ In fact, the Co. had already received a letter from E.M.Jenkins, dated 6 February 1941, the contents of which speaks for itself. It stated that:⁹⁴

even if the Government is able to provide the steel necessary for shedding, it is in no way committed to provide the necessary structural steel and plates for shipbuilding which... will entirely depend on whether more urgent demands on the supply available exist, when your demand forward.

The Company had, earlier, already acquired machinery (which they had been offered in 1940), on its own merit. Suppliers in the U.K. and New York had offered them Rs.9 lacs worth of machinery,⁹⁵ even when the site had not been finalised and the Scindia's were thrown into the horns of a dilemma because obtaining delivery of the goods could have resulted in placing the 'cart before the horse', especially keeping in mind the vacillating tactics of the Government.

And, when the administration condescended to make the

93. Master to Mehta, 20 Mar. 1941, WH Papers, fl.612, pt.2, NMML; Master to Kunzru, 22 Mar. 1941, WH Papers, fl.610, pt.II, NMML; The Amrita Bazar Patrika and Bombay Chronicle, 6 Jan.1941 and The Hindusthan Standard, 6 Jan. 1941, WH Papers, fl.45, NMML.

94. E.M. Jenkins to WH, 6 Feb. 1941, WH Papers, fl. 610, pt.I, NMML.

effort to make steel available; which, as they immediately sought to inform the Scindia's, would involve overcoming several difficulties, it was to impose a condition upon the Scindia's. This meant that the latter had to be prepared to build ships for naval purposes. To this, too, the Scindia's agreed⁹⁶ and were even willing to compensate for any lack of machinery by utilising the services of manual labour in order to begin work.⁹⁷

That was not all! In promising to deliver steel, the State came up with another pre-condition, asking the Scindia's to provide a specific date on which to deliver the goods, that is, the ships, if it wanted to obtain steel.⁹⁸ The Scindia's immediately protested saying that unless they knew in advance about the date when the supplies would come in, it was not possible to predict beforehand the time to be taken in producing ships.⁹⁹ However, the Government

95. Master to N.R. Pillai, 16 Mar. 1940, WH Papers, fl. 609, NMML and WH to Master, 5 Apr. 1941, WH Papers, fl.610, pt.II, NMML.

96. Mehta to Master, 28 Jan. 1941 and Master to Pandya, 5 Feb. 1941, WH Papers, fl.610, pt.I, NMML.

97. Minutes of Interview between WH and E.M. Jenkins, 1 Apr. 1941, WH Papers, fl. 610, pt.I, NMML.

98. Pandya to Jenkins, 11 July 1941, WH Papers, fl. 608, pt.I, NMML and Mehta to Master, 28 Mar. 1941 and 22 May 1941 and WH to Master, 5 Apr. 1941, WH Papers, fl.610, pt.II, NMML.

99. Mehta to Master, 28 Mar. 1941 and 22 May 1941, WH Papers, fl.610, pt.II, NMML.

appeared to be adamant and, therefore, the Scindia's had to bend a little, so that whatever little they had attained till that time was not wiped out. They estimated that they would take around eighteen to twenty one months to deliver completed ships, if the requisite high priorities very awarded immediately.¹⁰⁰

It could not be denied that any sort of delay would have proved to be very dear. Earlier, the Government had not permitted the purchase of materials from America on the grounds that it would affect the exchange position between that country and India. When they did agree to allow such imports, in late 1940, the Scindia's found to their chagrin, that the price of machinery in America was 400% higher than the prices which they obtained for similar machinery in the U.K.¹⁰¹

1942 witnessed the escalation of conflict in the arena of the Second World War and along with it increased the burden on the Scindia's who had, until that time, already faced numerous problems in dealing with the Government like that of obtaining a site for a labour colony, a railway

100. Pandya to Jenkins, 21 July 1941, WH Papers, fl.608, pt.I, NMML.

101. Jenkins to WH, 9 Dec. 1940 and Scindia Co., 15 Mar. 1941, WH Papers, fl. 610, pt.I, NMML and Mehta to Master, 28 Mar. 1941 and WH to Master, 5 Apr. 1941, WH Papers, fl. 610, pt.II, NMML.

Consequently, steps were taken for the removal of machinery and stores to Bombay which left the Demolition Squad only with the option of destroying the slips, the workshops and the buildings in the workshops as well as the buildings in the colony.¹⁰⁶ It came to the notice of the Scindia's, that the Royal Indian Navy was proposing to utilise the buildings constructed by them. In that case, they felt that they were entitled to some amount of rent for the same.¹⁰⁷ They believed that they could not be blamed for seeking to obtain some sort of return on their investment, especially, when a lot of effort had gone into making such a progress in this yard as they had achieved.

There was a dispute between the Government and the Scindia's regarding the cost to be borne for the transfer of materials to Bombay. The Scindia's wanted the cost to be borne by the Government and, according to them, Sir Guthrie Russell had stated that the matter was receiving their consideration. But, the Government, instead, charged the Company for having agreed to move without raising the question of payment, as their shipyard labour had already run away.¹⁰⁸ In the face of such extreme statements, it is

106. Master to Mehta, 22 Apr. 1942, WH Papers, fl. 608, pt.II, NMML.

107. Ibid.

108. Ibid. and Sir H.P. Mody (Supply Member) to Master, 12 Aug. 1942, WH Papers, fl.608, pt.II, NMML.

connection and also the necessary components required for building a yard.¹⁰² They had, however, not remained idle all this while. They had been extremely busy completing all the work that required mainly timber in construction.¹⁰³

Following a 'scorched earth' policy of deliberately destroying all industries, before the enemy had a chance to strike, the Government ordered the demolition of the Yard in early 1942 (after assuring payment of 80% of the cost of machinery destroyed) under an ordinance providing for the insurance of certain properties in British India.¹⁰⁴ The Scindia's, while not aiming to do anything that might help the enemy, had no intention of allowing the destruction of an enterprise which they had brought to a certain level of construction and readiness for the building of ships, after strenuous efforts and great difficulties and which, if destroyed, would take a very, very long time to rebuild.¹⁰⁵

102. Mehta to Master, 30 Oct. 1940, WH Papers, fl. 610, pt.I NMML.

103. The Scindia Co. to Commander A.W. Wood, Staff Officer (Admiralty), Naval HQ, New Delhi, 24 Apr. 1941, WH Papers, fl.610, pt.II, NMML.

104. Master to Mehta, 22 Apr. 1942 and Mehta to Master 27 Apr. 1942, WH Papers, fl. 608, pt.II, NMML and Mehta (as President the FICCI) to L.G. Pinnel, Officiating Private Secretary to H.E., The Viceroy, 10 Mar. 1942, WH Papers, fl.613, pt.I, NMML.

105. Master to Mehta, 22 Apr. 1942 and Mehta to Master, 27 Apr. 1942, WH Papers, fl.608, pt.II, NMML.

difficult to sift the truth out of them, but it is true that help or no help, the Indian shipbuilding industry was in dire straits.

In Bombay, itself, there was blatant discrimination against Indian shipbuilding interests. According to G.L.Mehta , the Government of India accepted the principle that when repair workshops and ships were put up solely with a view to help in war effort and when workshops were not required by the concern putting them up for their normal peace time requirements, the cost of constructing such workshops and ships, as well as, the cost of plant and machinery for the operation of workshops were to be met by the Government of India. In this connection, the Government rendered financial help to facilitate extensions to the Mazagaon Docks.¹⁰⁹ No such assistance was given to the Scindia workshop in Bombay despite the fact that, when the Government permitted them or hostilities ceased, they would revert back to Vizag.¹¹⁰ E.M.Jenkins staved off their argument with the lame excuse that their layout was cramped and unsatisfactory.¹¹¹ It is intriguing as to how this could

109. Mehta to Mody, 1 July 1942, WH Papers, fl. 608, pt.II, NMML.

110. Ibid.

111. Mody to Master, 12 Aug. 1942, WH Papers, fl.608, pt.II, NMML and Conversation between Mehta, Master and Jenkins, 25 July 1942, WH Papers, fl. 613, pt.II, NMML.

be cited as a disqualifying factor, when even British officials like Sir Guthrie Russell, Rear Admiral Turner and Mr. Henderson had approved of the layout.¹¹²

A major irritant at this time was the wrong impression, created in the minds of the authorities in England, that the Scindia company had abandoned its scheme for the building of ships at Vizag. This resulted in a host of problems like the ban on the import of steel and machinery for which orders had been placed in the U.K.¹¹³ Prior to this, the Government had, even, refused to allow the import of two sets of machinery for which orders had been placed in the U.K. on the grounds that the available space was necessary for the import of food grains.¹¹⁴ They did not consider the shipbuilding industry to be important enough to deserve a little amount of space- A space, which would have been much smaller than that occupied by one lac tons of wheat.

The Government had no compunction in sending a letter to the Company informing them that, as the Vizag scheme was indefinitely postponed, the property at Vizag was not

112. Conversation between Mehta Master and Jenkins, 25 July 1943, WH Papers, fl. 613, pt.II, NMML.

113. Interview between Master and Mudaliar, 25 May 1942, WH Papers, fl.613, pt.I, NMML and Master to Mody, 10 Oct. 1942, WH Papers, fl. 608, pt.II, NMML.

114. Master to Pandya, 3 Dec. 1942, WH Papers, fl. 608, pt.II, NMML.

insurable.¹¹⁵ The Scindia Company, virtually, had to beg the Government not to adopt this attitude as the amount involved was about Rs. 25-30 lakhs¹¹⁶ The Company, while facing such stumbling blocks every inch of the way under colonial rule, had, all along, been continuously on the lookout for support from prominent individuals, like Jawaharlal Nehru and others. In a letter to Jawaharlal Nehru and friends, dated 18 June 1942, Walchand gave a detailed description of the problems faced by them due to the uncongenial stance adopted by the Government. He, categorically, stated that the Government concentrated more on ship -repairing than ship - construction.¹¹⁷ Given the disheartening experiences of the Scindia's with the Government, it will not be difficult to contradict the statement of the Editor of, the pro-Government newspaper, 'The Times of India', dated 24 June 1941, which announced that the Government had "not been inactive" in providing help towards the building up of the

115. Minutes of the Meeting of the Board of Directors of the Scindia Co., 19 June 1942, WH Papers, fl. 612, pt.I, NMML and Mehta's interview with S.R. Zaman, Additional Deputy Secretary to the GOI., Dept. of Commerce, 22 May 1942, WH Papers, fl. 615, pt.1, NMML.

116. Mehta to Master, 22 June 1942, WH Papers, fl. 608, pt.II, NMML.

117. WH to Panditji and friends, 18 June 1942, WH Papers, FL. 613, Vol.I, pt.I, NMML.

yard.¹¹⁸ The Government was certainly not inactive, in fact, it had been very much active in placing a spanner in the works; all aimed at indefinitely delaying the project. Moreover, any encouragement that was given was, not proffered towards Indian efforts but, directed at helping British enterprise. An extract from The Indian Social Reformer, dated 12 July 1941, referred to the aid given to a firm headed by a Mr. Haddow, which in 1941, built a ship, "The Travancore" as an addition to the Royal Indian Navy.¹¹⁹ At such a critical juncture, Dr. Grady of the American Technical Mission advised Indian entrepreneurs to stick to repairing ships and wait for construction of ships after the War.¹²⁰

In addition, the authorities appear to have been so paranoid about the possible success of the Scindia enterprise that, in 1941, they threatened to let the shipbuilding scheme 'fall through' if the Scindia's did not give them the assurance, in writing, that they would not

118. The Times of India, 24 and 25 June 1941.

119. The Indian Social Reformer, 12 July 1941, WH Papers, fl. 608, pt.I, NMML.

120. The Hindu, 19 July 1942 and Sir R.Lumley (Governor of Bombay) to the Marquess of Linlithgow, 25 May 1942, The Transfer of Power, vol.II, p.116.

Dr. Grady of the American Technical Mission, which visited India in 1942, had a poor opinion of Indian industrialists and accused them of being solely motivated by profit.

entice labour and experts from other shipyards or establishments engaged in "War work" as well as provide information about their own sources of labour - at the same time, no encouragement was provided by the State in obtaining the services of experts from abroad.¹²¹ The Co. in order to avoid unnecessary interruptions gave such assurances and also provided the information that they were planning to draw their labour requirements from their own enterprise, that is, The Hindustan Construction Company Ltd., as well as from various engineering colleges like The Victoria Jubilee Technical Institute, Bombay and the Engineering College at Poona.¹²² The Scindia's, on their own, secured the services of six technical men, as well as, the Shipyard Manager, Mr. Cruickshank from abroad.¹²³ The Scindia's were able to make progress entirely due to their determination to succeed in the face various obstacles. They were not constrained by a lack of technical expertise.

121. Minutes of Interview between Master and Jenkins, 22 Sept. 1941, WH Papers, fl. 608, pt.1, NMML.

122. Pandya to The Secretary to The GOI, Dept. of Supply, 24 Aug. 1941, WH Papers, fl. 608 pt. I, NMML; A MacFarquhar, Deputy Secretary to the GOI, Supply Dept. to the Manager The Scindia Co. 7 and 8 Oct. 1941, WH Papers, fl. 608, pt.II, NMML; A.C. Dutta in LAD, 29 Mar. 1941, Vol.III, p.2096 and K.V. Hariharan (ed.), So I Rest.... M.A. Master, Vol.II, p.577.

123. Cable from WH to Jenkins, 15 Dec. 1941, WH Papers, fl. 608, pt.II, NMML.

Towards the end of 1943, the Directorate General, Shipbuilding and Repairs granted the permission of a retransfer to Vizag.¹²⁴ However, the shift did not change the status quo. During the period prior to, and during, the two transfers, which was roughly around two years, the Company had done repair and construction work to the effect of approximately Rs. 90 lakhs.¹²⁵ The Government, still, regulated the activities of the Yard during the War.¹²⁶ The Government promised to help the Scindia's but did nothing of the sort. When the latter asked for the Government's permission to build a thousand feet jetty for fitting out big ships, after protracted negotiations they were given materials to construct two small jetties of twenty five feet each.¹²⁷ Such a concession, virtually, amounted to nothing. An assurance that the Scindia's might be given the work of constructing a floating dock at Vizag (for which they had been waiting) also came to nought, ostensibly, on the ground

124. The Scindia Co. to Sir Akbar Hydari, Secretary to The GOI, Dept. of Industries and Civil Supplies, 13 Nov. 1944, WH Papers, fl. 608, pt.II, NMML.

125. Ibid.

126. Speech of A.C. Chatterjee, Manager, Scindia Co. welcoming Dr. B.C. Roy, Premier of W.Bengal on board the S.S. Jala Usha, 3 Dec. 1948, WH Papers, fl. 625, pt.II, NMML.

127. Speech delivered by S.J. Pandya at a party in honour of Dr. S.P. Mukherjee, Minister for Industry and Supply, GOI, 1 Jan. 1948, WH Papers, fl.615, pt.I, NMML.

that their overheads were high.¹²⁸ The Scindia's lashed out at this unjust allegation. They were quite open about the possibility of cost escalation; the reasons for which, as they stated to the Government, were beyond their control.¹²⁹ Even after sinking about a crore and twenty lakhs of rupees in the Vizag.Yard and in the orders for propelling and other machinery, the Government had not allowed this machinery to be imported into India. Intriguingly, the British officials stated that 'Hitler' and not His Majesty's Government or the Government of India was responsible for the problem of delay in acquiring steel.'¹³⁰ However, F.W. Ecker, Chairman of the America Lend-Lease Mission to India had observed, on 15 February 1943, that:¹³¹

Steel and other industrial products are coming to India under Lease-Lend to supplement India's own production. They are used here not only to manufacture weapons but also for essential civilian needs.

128. Master to WH, 10 May 1944, WH Papers, fl. 617, NMML.

129. The Scindia Co.to The Directorate General, Shipbuilding and Repairs, 8 Dec. 1944, WH Papers, fl. 618, pt. II, NMML.

130. Master to Waugh, 3 July 1943, WH Papers, Fl 608, pt.II, NMML.

131. The Scindia Co., to The Directorate-General, Shipbuilding and Repairs, WH Papers, fl.618, pt.II, NMML; Master to WH, 24 May 1943; WH Papers, fl. 614, pt.II, NMML; The Scindia Co., to Sir Akbar Hydari, 13 Nov. 1944, WH Papers, fl. 608, pt.II, NMML and Master to N.R. Pillai, 30 June 1943, WH Papers, fl. 614, pt.II, NMML.

Quite clearly, the Government can be accused of gross misrepresentation of facts, in addition to not considering the shipbuilding industry as falling under the purview of 'essential' civilian needs. But even then, the Scindia's stuck to their guns. They were determined to build ships and told the Government so.¹³²

The post - War period was treated with scepticism by the Indians. The Government of India issued a statement advocating far reaching steps to encourage the rapid industrialisation of India, with State assistance and under State control, and contemplated, among other things, bringing twenty basic industries (including shipbuilding) by Central legislation, out of the Provincial, into the Central List¹³³ in order to facilitate speedy reconstruction. The Indian side was not so receptive to the Government's realisation of the vulnerability of India's position' demonstrated by her inability to find adequate shipping, from her own resources, to provide for the transport of the food required by her.¹³⁴ The Government had to face flak for -----

132. Master to WH, 9 Mar. 1944, WH Papers, fl.617, NMML.

133. Master to WH, 18 Jan. 1944 WH Papers, fl.617, NMML; The Times of India, 27 Oct. 1944; The Hindu, 28 Oct. 1944; Memo by L.S. Amery, Secretary of State for India Office, 2 May 1945, The Transfer of Power, Volume V, p. 100 and M.A. Haque in LAD, 12 Aug. 1943, Vol.III, p.645.

134. The Amrita Bazar Patrika, 30 July 1945, and The Hindusthan Standard, 3 July 1945 and The Advance, 30 July 1945, WH Papers, fl.90, pt.II, NMML.

it, alone, was to be blamed for the deplorable state of affairs.¹³⁵ Walchand Hirachand cautioned the people of India against being too optimistic over the much advertised 'Post-War Reconstruction Plan' as he felt that it had not given due recognition to the national maritime trade.¹³⁶

The Scindia's had another problem on their hand, when a strike situation developed in September 1945 owing to the dismissal of 700 workers by the Co. on the grounds that enough orders were not being obtained from the Government. In addition, the President of the Andhra Regional Council of the All India Trade Union Congress accused the Company of giving a lame excuse to cover their actions.¹³⁷ This was just another dimension to the multifarious problems faced by the Scindia Co. Fortunately, by 24 September 1945, the strike ended and work went on, as before.

In 1946, in view of the mounting costs of labour and of materials due to the extraordinary delay in acquiring, as well as the shortage of, materials (including steel, timber etc.), the Scindia Co. prepared a Note for submission to the

135. Ibid. and A.R. Mudaliar in a reply in LAD, 15 Feb. 1945, Vol.I, p.389.

136. Juganter, (a translation), 19 Dec 1944, WH Papers, fl. 622, pt.II, NMML.

137. The Hindu, 27 Sept. 1945 and The Amrita Bazar Patrika, 27 Sept. 1945.

Tariff Board regarding protection for the Shipbuilding Yard.¹³⁸ This proposal, too, came a cropper at the hands of the Colonial Government who refused to entertain a petition for assistance to the Yard.¹³⁹

But, the Government could not remain immune to the changing atmosphere in the country. In connection with the War-Reconstruction programme, Sir Ardeshir Dalal, member of Executive Council (in charge of Planning and Development), insisted on certain safeguards to protect and build up Indian industrial interests.¹⁴⁰ In a comment, Lord Wavell, the Viceroy, stated that it would be more reasonable and beneficial to their own industrial interests, if they were prepared to show some sympathy towards India's ambition towards industrialisation than rejecting such proposals similarly. In this spirit probably, a Panel on Shipbuilding was appointed by the Government, in 1945, consisting of Indian members; namely Rao Bahadur, Shivrattan Mahatta, Sir Abdul Halim Ghaznavi, M.A. Master and Sir B. Rama Rao

138. Pandya to Master and Mehta, 3 Apr. 1946, WH Papers, fl. 608, pt.II, NMML.

139. Note for Government assistance to Scindia shipyard at Vizag, Apr. 1946, MAM Papers, fl. 193, NMML.

140. Viscount Wavell to Amery, Secretary of State for India and Burma, 2 Jan. 1945, The Transfer of Power, Vol.V, p.352 and Note by Lord Wavell, 11 May 1945, The Transfer of Power, Vol.V, pp. 1026-27.

(Chairman).¹⁴¹ The Chairman of this Panel immediately, responded to the Scindia entreaties for help by stating that he felt that the Report of the Panel would not prove disappointing "to that Indian Company which had achieved so much despite so many handicaps."¹⁴²

Building of ships started, at long last, in 1946 and the first of India's 8000 ton cargo ships were expected to turn out in twelve to eighteen months.¹⁴³ The hulls of two steamers were laid, one on 20 June and the other on 22 August 1946. A third berth was constructed in addition to the existing two.¹⁴⁴ But the problems were not over.

The departure of Sir B. Rama Rao for Japan, in 1947, temporarily brought a halt to the activities of the Panel. Therefore, for the time being, a report regarding what

141. Times, 8 June 1945, WH Papers, fl. 90, pt. II, NMML and WH's Speech on the occasion of the launching of S.S. Jalaprabha, 20 Nov. 1948, MAM Papers, fl. 238, NMML.

142. Speech by Tricumdas M. Goculdas, Resident Representative of the Scindia Shipbuilding Yard welcoming Sri Rama Rau and other members of the Shipbuilding Panel, 24 Sept. 1945, WH Papers, fl. 615, pt. I, NMML and The Amrita Bazar Patrika, 27 Sept. 1945.

143. The Advance, 24 Nov. 1945 and The Free Press Journal. 23 Nov. 1945, WH Papers, fl. 608, pt. II, NMML; K.V. Hariharan (ed.), So I Rest... Writings of M.A. Master, Vol. II, p. 577 and speech by WH at the Extraordinary General Meeting of the Company, 5 Mar. 1946, WH Papers, fl. 620, NMML.

144. G.D. Khanolkar, op.cit., p. 403.

assistance and facilities were to be given to the industry, in order to allow it to grow on sound economic lines,¹⁴⁵ could not be presented.

However, things improved after Independence. Developments in the shipbuilding industry in independent India will be discussed in the next chapter.

145. Speech by WH at the Ordinary General Meeting of the Shareholders of the Co., 21 Nov. 1947, WH Papers, fl. 327, NMML.

CHAPTER - V

**Independence and its Impact on Shipping
and Shipbuilding : 1947-1952**

Chapter V

INDEPENDENCE AND ITS IMPACT ON SHIPPING AND SHIPBUILDING (1947-52)

Independence removed the major obstacle, namely the uncooperative colonial Government, that had been dogging the shipping and shipbuilding industry since its inception. The period of deliberately sabotaging the growth of an independent enterprise appeared to be over. Attention now shifted to the changing nature of the problems faced by the shipping and shipbuilding industry as also to the reorientation of strategies to be employed in order to facilitate its growth.

Though the major problems due to an unsympathetic Government were over, Indian business was still faced with a severe crisis; partially conjunctural and partially as a result of India inheriting a backward colonial structure. As for the first, the immediate post-War period posed a major problem for industry the world over-difficulties arose because of shortage of machinery and capital goods, a massive rise in prices and, in the case of India, food shortage which meant that resources had to be channelised in that direction; for example, foreign exchange had to be utilised for food imports.

Secondly, because India inherited a backward colonial

structure the problems were even more pronounced. India had to import virtually all its capital goods, machines and technical know-how, as colonialism had prevented any meaningful development in these areas.

It is in these conditions, inherited by independent India, that the shipping industry was to attempt a new breakthrough. While Independence and a national Government opened up several opportunities the path ahead was not, by any means, going to be easy.

The new Shipping Plan announced by the independent Government of India, in November 1947 had a broad-based foundation resting on close cooperation between the state and private enterprise. It was stated that they would, hereafter, adopt every possible method of encouragement, as was done in America and England, to develop their national shipping. This assistance was conditional, on the ground that the Government should be invested with effective control in matters of policy making and general administration - all this was enunciated in the principle of mixed ownership and control by the Government and private enterprise;¹ a principle continuing in the functioning of the Indian enterprise even today.

1. The Eastern Economist, 14 Nov. 1947, p.675; Bombay Chronicle, 14 Oct. and 9 Nov. 1947; The Hindustan Times, 10 Nov. 1947 and The Statesman, 10 Nov. 1947.

The Government created, in 1948, a separate Department of Shipping to be in complete charge of all matters concerning shipping and shipbuilding.² This gives an idea of the stress laid by the Government upon developing this industry.

A beginning was made in the overseas trade from 1947 with the first overseas service between India and America being inaugurated by the Scindia Company on 17 March 1947. Also, a regular liner service between India and the U.K. was started by the same Company in 1947-48 with all possible help from the Government.³

Plans were made to assist Indian shipping companies in increasing their tonnage in order to reach the target of 2 million gross tons.⁴ The Government was well aware that the shipbuilding yard at Vizag would not be able to turn out tonnage at as fast a rate as was necessary and hence they took pains to secure for Indian shipping the 'Victory' and 'Liberty' styled ships from the U.S.A.⁵

2. The Eastern Economist, 6 Aug 1948, p.211.

3. K.V. Hariharan (ed.); So I ... Writings and Speeches of M.A. Master, Vol.I, p. 294 and National Standard, 22 Nov. 1947, MAM Papers, fl.210, NMML.

4. D.M. Khatau's speech, 14 Apr. 1950, WH Papers, fl.326, NMML.

5. Bombay Chronicle, 5 Nov. 1947; The Statesman, 4 Nov. 1947, and The Eastern Economist, 6 Aug. 1948, p.211.

However, the Government realised the need of a more broad based policy to secure a greater share in the overseas trade for Indian shipping companies. Therefore, they entered into negotiations and signed treaties, with Finland, Austria, Czechoslovakia and Poland, which allowed a reasonable and adequate proportion of the carrying trade between these countries and India.⁶ The Government also helped Indian shipping companies to become full time members of the Shipping Conference controlling the India/UK/Continent, India/North America, India/Australia and India/Malaya trades.⁷ The companies that operated in the overseas trades in 1950 were the Scindia Co., The India Steamship Company Ltd. and the Eastern Shipping Corporation, with the first and the second operating in the India/U.K./Continent trades and with the Scindia's also functioning in the India/North American trade.⁸ The Eastern Shipping Corporation operated in the India/Australia and the India/Malaya Trades.⁹

6. S.P. Mookerjee, Minister for Industry and Supply in LAD, 6 Feb. 1950, Vol.I, p.95; Eastern Economist, 23 July 1948, p. 149 and Capital, 24 June 1948, p.1102, MAM Papers, fl.248, NMML.
7. Reply by Sri Prakasa, Minister of Commerce in LAD, 14 Dec. 1950, Vol.I, p. 894.
8. Ibid., p. 895 and The Eastern Economist, 15 Aug. 1948, p.259
9. Ibid.

In order to facilitate the entry of Indian shipping into all the important overseas trades and to assist in solving the difficulties experienced by Indian shipping companies in raising the necessary capital, the Government prepared a scheme for setting up three Shipping Corporations with a capital of Rs 10 crores each, with the Government contributing not less than 51% of the total capital. The expectation was that each Corporation would be expected to have a minimum tonnage of 100,000 gross tons. Moreover, it would supported by a Government assurance that the losses in the first five years would be made good by it.¹⁰ The reason behind this move was the Government's belief that, in a still backward maritime country like India, it was only a Government controlled organisation which, by revealing its interest in this branch of transport would be able to encourage the flow of private capital and diversion of private enterprise to shipping services, eliminate unhealthy competition between Indian companies in the same trades and to prevent the establishment of private monopolies.¹¹ However, it must be taken into account that in the pre-independence period, perhaps a monopoly position was

10. The Eastern Economist, 6 Aug. 1948, p.211; Bombay Chronicle, 5 Nov. 1947 and The Statesman, 4 Nov. 1947.

11. Bombay Chronicle, 5 Nov. 1947 and The Statesman, 4 Nov. 1947.

necessary for the Scindia's to survive the unfair State patronised competition of the British shipping lines.

The first Government Corporation, The Eastern Shipping Corporation, was registered in March 1950 with an initial capital of Rs. 2 crores.¹² Necessary assistance was also given to Indian shipping companies for acquiring additional tonnage by furnishing information regarding available facilities and arranging liberal release of foreign exchange.¹³ All this was a refreshing change from the inactive attitude of the Government in the pre-independence era.

The principle of total reservation of shipping for national concerns was accepted and, officially, an announcement to this effect was made on 15 August 1950.¹⁴ This was absolutely necessary for until 1948 only 30% of the ships engaged in coastal trade were owned and managed by Indians.¹⁵ The Indians owned 57 steamers of 1,421,512 tons

12. Sri Prakasa in LAD, 14 Dec. 1950, Vol.V, pp.894-95.

13. Ibid.

14. Ibid. pp. 896-97; K.V. Hariharan (ed.), So I Rest ... Writings and Speeches of M.A. Master, Vol.I, p. 295; The Eastern Economist, 15 Aug. 1948, p.259 and K.C. Neogy Minister of Commerce in LAD, 24 Feb. 1949, Vol.II, p.1018.

15. Speech by S.P. Mookerjee (Minister for Industry and Supply) at a tea party in his honour given by the one Scindia Co., Jan. 1948, WH Papers, fl.615, pt.I, NMML.

gross and non-Indians 54 steamers of 2,96, 676 tons gross in the coastal trade in India.¹⁶ To progressively increase the share of of Indian shipping in the coastal trade and ultimately reserve it wholly to it, the Government announced that they would freely license Indian owned ships for the coastal trade.¹⁷ This policy was introduced under the Control of Shipping Act, 1947¹⁸ and amended by the Control of Shipping (Amendment) Acts of 1948 and 1950.¹⁹ Under the Act, the Government had powers to fix shipping rates in respect of any ship engaged in the coasting trade with the rates generally left to be fixed by the Indian Coastal Conference and unless the rates appeared to be unduly excessive, the Government would not ordinarily interfere in this matter.²⁰ Through this method, considerable progress was made and by 1950, Indian shipping had grown to an aggregate of 4 lakhs tons gross as compared to 1 lakh gross tons in 1947.²¹

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16. C.H. Bhabha, Minister of Commerce in LAD, 11 Mar. 1948, Vol.III, p.1817.
 17. K.C. Neogy in LAD, 24 Feb. 1949, Vol.II, p.1018.
 18. S.P. Mookerjee in LAD, 6 Feb. 1950, Vol.I, p.95 and 'The Control of Shipping Act', 1947, MAM Papers, fl. 289, NMML.
 19. Mr. Gopaldaswami, Minister of Transport in LAD, 17 April 1951, Vol. III, p.3263.
 20. Ibid.
 21. K.C. Neogy in LAD, 9 Feb. 1950, Vol.I, p.161; Mr. Gopaldaswami in LAD, 17 Apr. 1951, Vol.VII, p.3263 and Presidential speech of K.R. Jalan at the 21st Annual General Meeting of the Indian Chambers to Commerce, 28 Mar. 1947, WH Papers, fl.70, NMML.

The growth of Indian shipping after Independence owed a lot to the assistance provided by the Government to the sector. No obstacles were laid on the path of progress unlike that perceived in the colonial period. Such was the feeling of well-being at having won, at long last, the principle of coastal reservation, that when the BISN Co. suggested (towards the end of 1949), to the Government, that it would be content with having minority shares in two Indo-British shipping companies which would ply on the coastal trade under the Indian flag; it was generally felt that such an arrangement would go against the goal of total reservation of coastal trade for Indian companies and therefore should not be allowed.²² On no account, were the Indians willing to yield an inch of the share that had been usurped by colonial vested interests before independence.

In 1948, the course for training on the 'Dufferin' was made more intensive and a Nautical College was to be opened in Bombay.²³ The Government was leaving no stone unturned, in order to make up for the shortage of trained personnel, so that the shipping industry would not lag behind on the technological front.

22. The Eastern Economist, 16 June 1950, p.114.

23. Bombay Chronicle, 5 Mar. 1947 and The Eastern Economist 23 July 1948, p.149 and 15 Aug. 1948, p.259.

As seen in the previous chapter, building of ships had begun in 1946 and the first of India's 8000-ton cargo ships were expected to turn out in twelve to eighteen months. At last, the first Scindia ship, the S.S. Jala Usha was launched by Prime Minister Jawaharlal Nehru on 14 March 1948 and the second, the S.S. Jala Prabha by Sardar Vallabhbhai Patel in the same year.²⁴ On the occasion of the first launching, Walchand Hirachand recounted his problems and difficulties and how there was no close communication in the policy and conduct of the Government and businessmen.²⁵ This to a great extent, was true and even in the years 1946 and 1947, the Scindia Company had been constantly urging the Government to render some support due to escalating costs; which made Indian shipbuilding a very expensive enterprise, as also due to lack of adequate orders.²⁶ This constant refrain clearly shows that the Government, which was on its way out due to the impending Independence, was loth to take any choice.

24. K.V. Hariharan (ed.), So I Rest ... Writings and Speeches of M.A. Master, Vol.II, p.578.

25. G.D. Khanolkar, WH, Man, His Times and Achievements, pp.403-04.

26. Note by The Scindia Co., April 1946, WH Papers, fl. 61 pt.I, NMML and speech by WH as Leader of The Indian Shipping Delegation to the U.K., 25 June 1947, WH Papers, fl. 327, NMML.

Jawaharlal Nehru, speaking on the occasion of the launch of the S.S. Jala Usha promised on behalf of the new Government, that industry, and in this case, shipping and shipbuilding would be allowed to grow.²⁷ The Industrial Policy Resolution, announced by the Government on 6 April 1948, recognised the importance of the shipbuilding industry and considered it vitally useful to the country during times of peace and war.²⁸ Dr. S.P. Mukherjee, the Minister for Industry and Supply promised to try and remove such bottle necks in finance, supply of basic materials and other necessary requirements, in order to ameliorate the disgraceful condition that the industry was in.²⁹ This was carried out in actual practice, too;³⁰ a far cry from the Governmental attitude in the Colonial period. Even after nearly a decade of existence, Governmental assistance was required; as none had been forthcoming till then.

The Scindia's gratefully acknowledged the new

27. The Scindia Co. to S.P. Mukherjee, 26 Mar. 1948, WH Papers, fl.615, pt.II and MAM Papers, fl.238; NMML; Scindia Co. Note, 22 Oct. 1948, WH Papers, fl.615, pt.II, NMML and K.V. Hariharan (ed.), So I Rest ...Speeches of M.A. Master, Vol. II, p.578.
28. The Scindia Co. Note, 22 Oct. 1948, WH Papers, fl. 615, pt.II, NMML.
29. Speech by S.P. Mukherjee, 1 Jan. 1948, WH Papers, fl. 615, pt.II and MAM Papers, fl.238, NMML.
30. S.P. Mookerjee in LAD, 1 Sept. 1948, Vol. VII, p.752.

Government's attempts in encouraging the industry by placing the material required at Vizag. under the "moveable class of priority". This was done to remove the difficulties faced in moving such materials along to non-availability of quick and adequate railway transport.³¹

However, despite such measures, the Scindia Company found itself in dire fiscal straits with no hopes of rewarding returns in the near future.³² In the year ending on 30 June 1948, the net profits of the company amounted to only Rs 16.89 lakhs and the figure for the previous year was Rs. 41.80 lakhs. However, these Rs. 41.80 lakhs did not accrue from the normal operations of the year but were the result of fortuitous circumstances, for the Government had, in that year, paid to the company a sum of Rs. 43.64 lakhs on account of war time arrears.³³ If these areas were

31. D.M. Khatau's (Chairman Scindia Co.), speech, 14 Apr. 1950, WH Papers, fl.326, NMML; The Scindia Co. Note, 9 Aug. 1948, WH Papers, fl. 615, pt.II, NMML and K.V. Hariharan (ed.), So I rest ... writing and Speeches of M.A.Master, Vol.II, p.579.

32. The Eastern Economist, 26 Nov. 1948. p.915; Master to P.L. Kumar, Development Officer, Directorate-General, Industries and Supplies, 10 Aug. 1948, WH Papers, fl. 1948 and Mehta to S. Boothalingam, Joint Secretary, Ministry of Industries and Supplies, 17 Sept. pt.II, NMML: A.C. Chatterjee's speech welcoming B.C. Roy, 3 Dec. 1948, WH Papers, fl.626, pt.II, NMML: D.M. Khatau's speech, 16 Feb. 1951, WH Papers, fl.326, NMML; WH to S.P. Mookerjee, 9 Jan. 1949 and 17 Mar. 1947, MAM Papers, fl.292, NMML and The Hindustan Times, 28 Jan. 1949.

33. The Eastern Economist, 9 Sept. 1949, p.407.

excluded the results showed a net loss. In addition, the cost of building ships in India had assumed gigantic proportions as compared with the same in U.K. The expenditure involved in building a 8000 tonner in India was nearly Rs.25 lakhs more than that incurred in for building a similar ship in the U.K.³⁴ By late 1949, the Scindia shipyard was virtually on the verge of closure and it appears that the Company was not even in a position to meet the maintenance bill of the Yard, amounting to Rs. 60 lakhs per annum.³⁵ They realised that, for eight berths, Rs. 10 crores would be required to build the Yard into a viable economic proposition and this, they felt, was not within their means.³⁶

34. The Eastern Economist, 18 Feb. 1949, p.268; D.M. Khatau's speech, 14 Apr. 1950 and 16 Feb. 1951, WH Papers, fl.326, NMML; WH to Sardar Vallabhbai Patel, 10 Oct. 1949, WH Papers, fl. 615, pt.II, NMML and K.V. Hariharan (ed.), So I RestWritings and Speeches of M.A. Master, Vol.II, p.579.

35. The Free Press Journal, 23 Nov. 1949, WH Papers, fl.615, pt.II, NMML and D.M. Khatau's speech, 14 Apr. 1950, WH Papers, fl. 326, NMML.

D.M. Khatau held that the annual burden of Rs.32 1/2 lakhs carried by the Company in the form of interests and provision for a Sinking Fund was too heavy to bear.

36. The Eastern Economist, 28 Nov. 1948. and A.C. Chatterjee's speech welcoming Dr. B.C. Roy, 3 Dec. 1948, WH Papers, fl. 626, pt.II, NMML.

Panicky, the Scindia's entreated the Government for a takeover.³⁷ The Government on its part, too, on the lines of the Shipbuilding Panel's Report (1947) expressed that it was its duty not to let the Yard close down as it was 'a national asset'.³⁸ The terms for the transaction took time to be sorted out, but in the meantime, the Government in response to an application for a construction differential subsidy, in terms of the U.K. Parity Prices, which came to Rs. 120 lakhs (representing the losses incurred by the Company in building vessels in India), a sum of Rs. 80 lakhs to the Scindia's.³⁹ Although, this amount fell below

37. Master to P.L. Kumar, 10 Aug. 1948, WH Papers, fl.615, pt.II, NMML; Mehta to S.Boothalingam, 17 Sept. 1948, WH Papers, fl. 626, pt.II, NMML; WH to N.V. Gadgil, 16 Sept. 1949 and WH to Vallabhbai Patel, 16 Sept. 1949, WH Papers, fl.615, pt.II, NMML and Scindia Co. to S.P. Mookerjee, 28 Dec. 1948, WH Papers, fl. 615, pt.II and MAM Papers, fl.248. NMML.

38. The Bombay Chronicle, 1 Sept. 1949, WH's speech on the occasion of the launching of the S.S. Jalaprabha, 20 Nov. 1941, MAM Papers, fl.238, NMML; K.V. Hariharan (ed.) So I Rest.M.A. Master, Vol.II p.578; Free Press Journal, 24 Nov. 1949, WH Papers, fl.615, pt.II, NMML and G.L. Mehta to Sir J.C.Ghosh, Director General of Industry and Supply, 17 Sept. 1948, WH Papers, fl. 626, pt.II, NMML.

Sir Rama Rau reported (1947) that "... if this Company failed though lack of adequate Government assistance, financial and otherwise, the development of shipbuilding would be seriously affected." This Panel had been temporarily constituted by the Government.

39. D.M. Khatau's speech, 16 Feb. 1951 and 8 Feb. 1953, WH Papers, fl.326, NMML and The Eastern Economist, 5 Oct. 1951, p. 557.

its expectations, the Company was grateful for it,⁴⁰ considering the fact that in pre-independent India there would have been, in all possibility, no help of this sort from the Government.

Simultaneously, Walchand had prepared a scheme to have a Limited Company, with an authorised capital of Rs. 15 crores, in which the Government would hold 49%, the Scindia's 26% and the general public 25% (and if there was no subscription from the general public then the Government's, share would become 74%) in the Corporation's fully paid up capital of Rs. 10 crores.⁴¹ Consideration of the scheme took some time, as the budgetary position was tight, but in order to prevent the Yard from closing down orders on Government account were placed with the Scindia's, for building three ships of 8000 tons each and the subsidy given for each ship was to be about Rs. 23 or 24 lakhs, out of an estimated cost of Rs. 64 lakhs for each.⁴² After an inspection of the Yard by some Nautical engineers from France, who reported favourably on the project, and keeping in mind the fact that the Yard should not be closed down,⁴³

40. Ibid.

41. G.D. Khanolkar, op.cit, p. 409.

42. H. Mahtab, Minister of Industry and Supply, LAD, 20 Nov. 1950, Vol.V, p.165.

43. Master to P.L. Kumar, 10 Aug. 1948, WH Papers, fl.615, pt.II, NMML; Mehta to J.C. Ghosh, 17 Sept. 1948, WH Papers, fl.626, pt.II, NMML and S.P. Mookerjee, LAD, 1 Sept. 1948, Vol.III, p.752.

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the Government formed the Hindustan Shipyard Limited in January 1952 and, on 1 March 1952, entrusted it with the shipbuilding Yard at Vizag.⁴⁴ in accordance with the Government's industrial policy; according to which the establishment of the shipbuilding industry (one of the six industries listed) was the exclusive responsibility of the Government of India.⁴⁵ The assets of the Yard were to be taken over at actual cost after deduction of depreciation of all kinds.⁴⁶ In the new enterprise, the Scindia's held a one-third interest and the Government two-thirds. The valuation of the shipyard was provisionally agreed at Rs. 270 lakhs and the initial paid up capital of the new company was Rs. 389 lakhs.⁴⁷

The Company in response to the information that the Government intended setting up shipyards in various parts of the country, exhorted the latter not to forget in coming to an early decision on Vizag. for other yards would come up only after a lapse of 5 years or so. Neglecting the Vizag. Yard could mean that there would be no shipbuilding industry until the time the new ones came up and this would prove detrimental to the country's growing economic needs.

44. D.M. Khatau's speech, 8 Feb. 1952, WH Papers, fl.326, NMML; Mr. Buragohain, Deputy Minister of Works, Production and Supply in LAD, 14 Feb. 1952, Vol.I, p.118.
45. The Free Press Journal, 27 Jan. 1949, WH Papers, fl.615, pt.II NMML.
46. Mr. Buragohain in LAD, 14 Feb.1952, Vol.I, p.119.
47. Ibid., p. 118; D.M. Khatau's speech, 8 Feb. 1952, WH Papers, fl.326, NMML and K.V. Hariharan (ed.), So I Rest..... of M.A. Master, Vol.II, p.579.

By the time, the Yard was transferred to the Hindustan Shipyard Company, the Scindia's had built eight steamers of 8000 tonnes each,⁴⁸ a remarkable effort considering the fact that they had always worked from a losing position.

It had been a spirit of nationalistic zeal which had given them the strength to carry on in the face of all odds. The fact that the people of India were behind them, as evinced from the congratulatory messages, that had poured in on the occasion of the laying of the foundation stone at the Vizag Yard,⁴⁹ spurred them on the face of British recalcitrance.

Their failure to continue running the Yard and eventually having to hand over the responsibility to the Government does not provide any basis for the criticism that Indian private enterprise had failed. It was the constraint of the colonial situation that had left the Company in a beleaguered position.

48. Mr. Buragohain in LAD, 14 Feb. 1952, Vol.I, p.119.

49. Messages of good wishes received on the occasion of the laying of the foundation stone at Vizag. Shipbuilding Yard, WH Papers, fl. 610, pt.I, NMML.

The list includes, among many others, Chunilal B. Mehta (FICCI) Sir. P.Thakurdas, Seth Kasturbhai Lalbhai, Sir Lala Shri Ram, Mr. D.P. Khaitan, Mr. K.C. Neogy, Sir Badridas Goenka and even H.E. Sir Hugh Dow, Governor of Sind.

By the time a favourable national Government came into existence, the industry had already missed repeated opportunities and was, then, faced with extremely adverse economic conditions; like the unavailability or very high prices of capital goods and ships in the world market. A backward colonial structure, thus, proved to be a great deterrent to growth.

CONCLUSION

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The development of the Indian shipping and shipbuilding industry is a saga of a continuous and dogged struggle against colonial rule. Colonialism was a shackle preventing free and unstinted development of this industry.

The Colonial Government followed a consistent policy of support to British economic interests at the cost of Indian interests. It turned a blind eye to such evils plaguing the industry, like the infamous 'rate - wars' and the invidious system of 'deferred rebates'. It also gave direct financial aid in the form of subsidies to European firms. Not only this, it refused to take action on recommendations of committees set up by it, if such recommendations turned out to have a pro-Indian slant (as seen in the case of the Report of The Indian Mercantile Marine Committee of 1924).

Legislative action, which sought to bring about a progressive change in the Indian shipping and shipbuilding industry, was smothered by the Government. Governmental assurances and promises with regard to petitions entreating their aid were meant to be broken. Often, even such promises were not forthcoming; they either ignored Indian demands or maintained a stoic silence. Whenever they perceived that colonial interests were being threatened due to the demands made by Indian enterprise, they assumed the stance of an

'injured party' and maintained that the Indians were indulging in 'racial discrimination. Actually, the boot was very much on the other foot for Indians were constantly discriminated against in the shipping sector and even their 'entrepreneurial ability' was sniggered at.

Colonialism was bent upon adopting an unyielding position and even when its hold loosened, as during the two World Wars, it continued to place obstacles in the road towards progress. For example, the import of raw materials from abroad for the shipbuilding industry was prevented; shipping and, particularly, shipbuilding were not declared as part of the 'war effort' despite repeated demands and so on.

Political pressure exercised by British shipping magnates on the Government and the clout of the Colonial bureaucracy proved to be a potent combination in retarding the growth of shipping. The reason why shipping in India remained in such a miserable position was due to the fact that shipping was a traditional area of British dominance and the resistance to any competition in this area was formidable,¹ especially given the situation that Britain was

1. Aditya Mukherjee, 'Indian Capitalist Class: Development during 1927-47, S. Bhattacharya and R. Thapar (ed.), Situating Indian History, pp.257-58.

progressively losing its dominant position in the world to the U.S. and other countries. With the Government not willing to let the Indians make any gains whatsoever, the Scindia's were coerced into the dismally unequal Tripartite Agreement which helped in maintaining British monopoly during the War years. If there had been no such agreement, it is quite possible that the British monopoly could have been broken in the form of competition unleashed through rate wars. At least the Agreement helped in giving them security. This is a major reason why the industry did not witness spurts of growth during the War years, unlike other industries like cotton textiles, steel, etc..

The growth of shipping was due to the stubborn persistence of people like Walchand and his team consisting of able persons like M.A. Master, G.L. Mehta etc. who were willing to take risks in, what can be termed as a no-win situation in the wake of economic, technical, legal and political obstacles to development. It was Walchand who realised that "economic independence was the key to political and social freedom."² Moreover, public opinion, judiciously utilised by Walchand, was a factor which even the Government could not always afford to discount. The

2. Chairman and Members, Municipal Council, Vizag. to WH, 1 Sept. 1990, WH Papers, fl. 610, pt.I, NMML.

Company officials consistently hobnobbed with nationalist leaders in the Congress in order to garner their support. They also got one of their own men elected to the Legislative Assembly in order to spearhead important legislation like the Coastal Reservation Bill. Whatever the Company achieved was on its own merit, whether it be for training personnel on its own (even before the I.M.M.T.S. Dufferin was established) or in securing progressive increase in tonnage (however meagre) allotted to them by the Tripartite Agreements.

Thus, there can be no doubt that indigenous shipping enterprise developed 'inspite' of colonial constraints—that the Scindia Company managed to hobble its way from 1919 to 1947 speaks volumes of the zeal and competitiveness of Indian entrepreneurs in entering areas of traditional British dominance.

The whole period was, therefore, marked by conflict and cooperation. Conflict, more often than not, persisted at all times against British shipping interests and their protector, the Colonial Government. However, all out and consistent hostility towards the Government and British interests was not possible at all times. The Scindia's had to seek Government cooperation (using as much pressure as possible to achieve it) in several spheres; such as positive

legislation in favour of Indian shipping, Indianisation of critical appointments, Government orders and subsidies, permission to locate and start the shipbuilding industry allocation of foreign exchange and permission to import capital goods and so on. Cooperation also took the form of agreement with the opponents when there was no other way to avoid being wiped out.

Independence did not bring with it a complete elimination of problems for the industry. The difficulties faced by the Scindia's underwent a change in nature. There were conjunctural problems caused by the crisis faced by the industry throughout the World in the post-War period; like the shortage of machinery and capital goods and an enormous rise in prices. Such problems were compounded in India by virtue of 'inheriting a backward colonial structure' which necessitated the import of essential components like capital goods, machines and technical know how - all of which had been sadly neglected till then. However an important point is that, at the time of Independence, there came a sympathetic Government which was, at least, willing to listen to the problems of the Scindia's unlike the previous Colonial Government which had repeatedly turned a deaf ear to the woes of the Indian shipping industry.

What matters here, ultimately, is that the Scindia's emerged at the time of Independence, battered and beleaguered, but nevertheless, a winner for having managed to stay put for nearly three decades.

After Independence, the bold initiatives taken by the independent Government of India, with regard to the shipping and shipbuilding industry, guaranteed its further development. Although, this industry like other Indian industries, suffered a severe crisis, partially conjunctural and partially as a result of India 'inheriting' a backward colonial structure, measures like the Shipping Plan of 1947, the creation of a separate Department of Shipping (concerned with shipping and shipbuilding), securing ships from abroad, as also the signing of international treaties to facilitate entry into the overseas trade, all contributed to the forward march of this industry.

For the first time, overseas services started operating with the U.S.A., the U.K., Finland, Czechoslovakia, Poland and other countries. In addition, Indian shipping grew to an aggregate of four lakh tons gross by 1950 as compared to the one lakh tons gross at the time of Independence.

However, despite this spurt in growth the Scindia's agreed to hand over their shipyard at Vizag. because they could not have, indefinitely, continued to incur losses as a

result of having been continually delayed previously in the carrying out of their operations by a hostile Colonial Government, as also the mounting costs of production after Independence. In addition, the Government (which considered shipbuilding to be its 'exclusive' responsibility) could not permit the closure of the Yard. Hence, the takeover was mutually beneficial for both the Government and the Scindia's - the former holding a two-thirds interest in the new enterprise (i.e. The Hindustan Shipyard Company) and the latter one-third.

In the final analysis, it is perceived, therefore, that indigenous enterprise successfully fought and survived 'in spite' of colonial constraints. Such problems were faced not only before the grant of Independence, but also after it. It was the legacy of Colonialism, i.e., the inheritance of a 'backward Colonial structure,' against which the Co. struggled to survive and, when it was apparent that the difficulties were enormous; the Government stepped in and ensured, through its able support, that this 'indigenous enterprise' did not vanish into oblivion.

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